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FEDERAL MEAT AND POULTRY PRODUCTS INSPECTION ACT OF 1983

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 593

A BILL TO AMEND THE FEDERAL MEAT INSPECTION ACT AND THE POULTRY PRODUCTS INSPECTION ACT TO PERMIT DISTRIBUTION OF CERTAIN STATE-INSPECTED MEAT AND POULTRY PRODUCTS, AND FOR OTHER PURPOSES

JULY 21, 1983

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FEDERAL MEAT AND POULTRY PRODUCTS INSPECTION ACT OF 1983

THURSDAY, JULY 21, 1983

U.S. Senate,
Committee on Agriculture, Nutrition, and Forestry,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., Hon. Roger W. Jepsen presiding.

Present: Senators Helms, Jepsen, Melcher, and Boren.

STATEMENT OF HON. ROGER W. JEPSEN, A U.S. SENATOR FROM IOWA

Senator Jepsen. The Committee on Agriculture, Nutrition, and Forestry will receive testimony today on S. 593,[1] which is a bill to permit the interstate shipment of State-inspected meat.

I appreciate the interest of the principal sponsors of the bill, the distinguished Senators from Hawaii and Wisconsin, in appearing before the committee today.

I also welcome those witnesses representing meat and poultry plants from across the country. Their firsthand knowledge of this issue will have a significant impact on the committee's review of this legislation.

In 1968, Congress identified the importance of establishing uniform standards for meat and poultry products sold in this country. Amendments made to the meat and poultry inspection laws at that time recognized that safe and wholesome meat and poultry products are available from two sources—federally inspected plants and State-inspected plants. There is no doubt in my mind that these two systems continue to provide safe and wholesome products to consumers.

But the issue raised in S. 593 is not whether wholesome, unadulterated meat and poultry products are available to consumers under both inspection systems. The issue to be addressed in this hearing is whether State-inspected plants should be granted the same rights and privileges in interstate commerce enjoyed by federally inspected plants. This brings us to that age-old question: Are State inspection systems equal to the Federal system?

Among those who have attempted to answer this question is the General Accounting Office. I understand that GAO is preparing an evaluation of USDA procedures for certifying State inspection systems as equal to the Federal system. The findings of this GAO report are not yet available. However, I hope that the members of the committee, in considering the impact of S. 593, will review this report when it is published, and I can assure you in fact that they will.

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[1] See p. 117 for a reprint of S. 593.

USDA will provide more details in their testimony on the certification procedures currently used in reviewing and evaluating State inspection systems.

I understand that the USDA is in the process of requesting other meat inspection legislation.

At this time, I would like to introduce the very distinguished Senator from Hawaii, Mr. Inouye, and also the distinguished Senator from Wisconsin, Mr. Kasten. I walked in here with the Senator from Hawaii, and so if we might just make it on the basis of first entered, we will go on that basis.

Senator Inouye, you now may proceed. I will advise you that the written testimony that you have will be entered, of course, into the record, and you may therefore proceed in any manner you so desire.

STATEMENT OF HON. DANIEL INOUYE, A U.S. SENATOR FROM HAWAII

Senator **Inouye**. Thank you, Mr. Chairman. I appreciate this opportunity to testify on S. 593. As you have indicated, Mr Chairman, this bill is an idea whose time has come. When the Congress first enacted the Federal Meat Inspection Act and the Poultry Products Inspection Act, admittedly, sectors of the meatpacking industry were in turmoil and could not guarantee American consumers a uniformly wholesome product. The U.S. Government had to intervene in setting standards for labeling, content, and cleanliness, while State inspection programs were required to meet or exceed Federal guidelines.

In the end, several States chose to participate in the Federal meat inspection program, but 27 States have maintained high grade inspection systems of their own.

As you have indicated, Mr. Chairman, the problem confronting State-inspected meats, and the inequity of our present system, is that these wholesome products cannot be shipped in interstate commerce. Even though they meet or exceed Federal standards for cleanliness and freedom from residues, quality State-inspected meats are often barred from nearby markets by virtue of an arbitrary State line that bisects a local community.

This measure I believe, Mr. Chairman, will correct this problem by allowing State-inspected meats equal access to American meat and poultry markets. However, it will continue the present practice of barring State-inspected meats from international trade, where by treaty all meat must be federally inspected.

Mr. Chairman, I believe that the benefits of this bill are very clear. First, consumers would be rewarded with a greater variety of wholesome meat products at competitive prices. Indeed, consumer confidence in our Nation's meat and poultry products is at an all-time high, and this bill will do nothing to harm that confidence.

Second, livestock producers will no longer have to ship their animals clear across a State tc reach a Federal plant. They could use local, State-inspected plants and still distribute their meat in interstate commerce, thus saving on transportation costs and helping smaller meatpackers stay in business.

Third, State plants would no longer be pushed to join the Federal meat inspection system. This bill would thus save the U.S. Department of Agriculture and the American taxpayer money by keeping meat inspection programs in the hands of individual States.

Mr. Chairman, I commend this bill to you and other members of the committee, and urge that it receive prompt and favorable consideration.

I, too, Mr. Chairman, look forward to the GAO report.

Senator Jensen. Thank you, Senator.

What is the nature, if I may ask, of the meat and poultry industry in the State of Hawaii?

Senator Inouye. Well, if we could ship our products across State lines, I am certain it would be helpful. At the present time, because of existing law, Hawaii's meat and poultry industry is needlessly and artificially circumscribed. When you add the cost of transportation, either by sea or air, you can see the problem we have.

We feel that with the enactment of this bill, we would be able to participate in interstate commerce in the way we should.

Senator Jepsen. I appreciate your interest in this. According to my briefing, your State has 79 State-inspected plants and one Federal. So if you are going to do anything——

Senator Inouye. I think the standards set by our State plants are much higher than the Federal plant.

Senator Jepsen. Very interesting. I thank you.

At this time, I would introduce and call on the distinguished Senator from Wisconsin, Senator Kasten.

STATEMENT OF HON. ROBERT W. KASTEN, JR., A U.S. SENATOR FROM WISCONSIN

Senator Kasten. Mr. Chairman, thank you for the opportunity to testify this morning in support of S. 593, the Federal Meat and Poultry Products Inspection Act of 1983. As a cosponsor of this bill, I would like to commend and thank the committee for scheduling this hearing in such a timely manner.

In the interest of time, I will summarize my remarks, and ask that my full statement be included in the record. I also ask that a written statement of one of my constituents, Mr. Clarence Knebel, who owns and operates a small Wisconsin meatpacking plant, be made a part of the record.

Senator Jepsen. They both will be made a part of the record.[1]

Senator Kasten. Thank you, Mr. Chairman.

This legislation, as Senator Inouye stated, would allow State-inspected meats to be shipped interstate. Under present law, only federally inspected meats may enter the channels of interstate commerce. I find this hard to understand, as current law requires State inspection standards to be equal, if not superior in quality, to Federal inspection standards.

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[1] See p. 52 for the prepared statement of Senator Kasten and p. 54 for the prepared statement of Mr. Knebel.

This bill will not change present inspection laws. The consumer is and will continue to be protected. Quality and wholesome meat products will continue to line the shelves of retail outlets. In fact, the consumer and meat and poultry industry will benefit.

If this legislation becomes law, a more competitive atmosphere will prevail. Consumers will have a wider variety of specialty meats to choose from. Increased competition will result in lower consumer prices. Meat and poultry processors could find that increased business would dictate the need for further employees. Creation of new employment opportunities is a distinct possibility.

I feel the present law serves as a deterrent to those States committed to a cooperative effort with the Federal Government in executing inspection activities. These States match Federal moneys in assuming the costs incurred through operation of State inspection programs.

Other States with no State inspection program rely on Federal funds and manpower to carry out inspection duties. Packing plants in these States are allowed to ship meat products interstate, while plants in the States exercising a cooperative program with the Federal Government are prohibited from selling their products outside State boundaries. In other words, domestic trade barriers exist. Let me highlight my State of Wisconsin as an example.

Meat inspected in two States that border Wisconsin is allowed to flow freely into Wisconsin, as these States are designated under Federal inspection standards. Wisconsin-inspected meats are prohibited from being shipped into these neighboring States. Reciprocity is nonexistent.

Wisconsin is not an isolated case. Approximately 500 State-inspected plants are found throughout Wisconsin. On the average, these plants are family owned and operated, employing less than 10 full- and part-time employees. Current law has caused a loss of revenue to plants located in Wisconsin.

Mr. Chairman, the Federal Meat and Poultry Products Inspection Act would eliminate those domestic trade barriers and restore equity to the operation of meat inspection programs.

Again, I would like to thank you and the committee for allowing me the time to present my views on this important agriculture and small business issue.

Mr. Chairman, I believe this legislation is worthy of support. I commend it to the committee's attention.

Senator **JEPSEN**. You indicated that you have about 500, State-inspected plants in Wisconsin. Do you believe that the Wisconsin State inspection program is doing a good job in assuring that the State-inspected plants are at least equal to those plants which are federally inspected?

Senator **KASTEN**. Mr. Chairman, we do have close to 500 State-inspected plants, and USDA reviews have shown that our standards are equal, to the Federal standards.

Senator **JEPSEN**. Senator Melcher, do you have any questions?

Senator **MELCHER**. Yes; I do. Thank you, Mr. Chairman.

I take it, Danny and Bob, that this bill is drafted to require the same standards to be applied in the inspection process as would be required in the Federal plan?

Senator **Inouye**. Yes, sir, it does not change the provisions in the present law that require State-inspected plants to maintain high standards, either equal or exceeding Federal standards.

Senator **Melcher**. There is nothing in this bill that would change, or is intended to change, any of those standards?

Senator **Inouye**. Not at all.

Senator **Melcher**. I was looking through here to see if we were relaxing the standards.

Senator **Kasten**. As Senator Inouye stated, the current law requires State inspection standards to be equal if not superior in quality to Federal inspection standards, and we do not intend to change that law.

Senator **Melcher**. How will the change or requirement be paid for? The States will pay for it?

Senator **Kasten**. It is a cooperative effort. In Wisconsin, we have a cost sharing inspection program with the Federal Government, and that would not change.

Senator **Jepsen**. There is a cost sharing in existence now, as you know, Senator, where the States pay approximately 50 percent. We can have somebody here from the USDA answer that.

Mr. **Houston**. They pay 50 percent of the cost, and the other 50 percent is contributed by the States.

Senator **Melcher**. If the States did it all, would you still pay half of it? Would the Federal still pay half?

Mr. **Houston**. 50 percent.

Senator **Jepsen**. There are no changes made, our staff person says.

Senator **Melcher**. No changes made in the standards.

Senator **Jepsen**. Any further questions?

Senator **Melcher**. Thank you.

Senator **Jepsen**. I thank the Senator from Hawaii and the Senator from Wisconsin.

Senator **Inouye**. Thank you.

Senator **Jepsen**. I think this committee is especially fortunate to have the Senator with the background on this particular subject that Senator Melcher has. I am not sure how many committees are fortunate enough to have a doctor of veterinary medicine and the expertise, insight, and perspective that that brings. Thank you for your input, Senator Melcher.

Senator **Melcher**. Thank you, Mr. Chairman.

Senator **Jepsen**. I now call Donald Houston, Administrator, Food Safety and Inspection Service, U.S. Department of Agriculture.

STATEMENT OF HON. DONALD HOUSTON, ADMINISTRATOR, FOOD SAFETY AND INSPECTION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. **Houston**. I will summarize my statement, Mr. Chairman, but I request it be placed in the record in its entirety.[1]

Mr. Chairman, I appreciate the opportunity today to testify on S. 593, which would amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to make State-inspected meat and poultry products eligible for sale or transportation in interstate commerce and for entry into and use in the preparation of products in federally inspected establishments.

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[1] See p. 57 for the prepared statement of Mr. Houston.

The Department of Agriculture supports this legislation. The circumstances that led to the restrictions in the inspection acts on the distribution of State-inspected products have changed since those laws were enacted. We believe that meat and poultry products inspected by the States need no longer be limited in distribution in intrastate commerce, but should be allowed in interstate commerce as well.

Prior to 1967, under both the Meat and Poultry Inspection Acts, the States were not required to inspect meat and poultry products, even though some States were doing so. Concern over the lack of uniformity among State inspection requirements and unsanitary conditions in many intrastate plants led to a major revision of the inspection laws, resulting in the 1967 Wholesome Meat Act and the 1968 Wholesome Poultry Products Act.

These acts require, with certain exceptions, that meat and poultry products prepared for human consumption and for sale and transportation in interstate and foreign commerce, as well as those prepared for distribution in intrastate commerce, be inspected.

The 1967 and 1968 acts also required States to develop and effectively enforce requirements for the inspection of meat and poultry products distributed in intrastate commerce that are "at least equal to" those of the Federal program. The "at least equal to" provisions of the two acts were the key element in upgrading the inspection of intrastate products. The acts stressed the need for cooperation between Federal and State authorities in carrying out the consumer protection provisions of the legislation, but also require USDA to monitor State programs.

If a State fails to develop or effectively enforce inspection requirements for the inspection of meat and poultry products distributed in intrastate commerce that are "at least equal to" those under the acts, the Secretary of Agriculture is required to designate that State for Federal inspection. The Department then assumes direct responsibility for inspecting products at plants that were formerly inspected under the State program.

To assist in achieving the purposes of the legislation, the acts authorized the Secretary to cooperate with State governments in developing and administering State inspection programs. Since passage of the acts, there has been extensive and continuous Federal aid to the States. Such aid has included advisory assistance in planning and developing State programs, technical and laboratory support and training, and up to 50 percent of the estimated total cost of cooperative programs.

Since 1967, the Federal Government has provided the States with 50 percent of the costs of their inspection programs, for a total of about $413 million. For this fiscal year 1983, the Federal share of State programs will be about $32.2 million.

Federal payment under the cost sharing program is contingent on continued satisfactory State administration of the "at least equal to" provision. To assure that the States are meeting those provisions, the acts require the Federal inspection program to conduct periodic reviews of State programs. USDA evaluations of those programs include reviewing information on State program authority, number and types of plants, program staffing, funding, changes in organization and administration, compliance and evaluation at the State level, and the results of reviews of State plants. USDA conducts plant reviews by visiting a statistical sample of State plants each quarter. The Department must certify to Congress once a year that each State program is being maintained at a level that is "at least equal to" the Federal program.

Unfortunately, many Governors or State legislatures have chosen to discontinue State inspection programs, almost universally for economic reasons. If a State ends its funding for inspection, USDA, by law, must assume responsibility for inspecting the plants formerly under State jurisdiction because the State can no longer enforce an inspection program at least equal to the Federal program.

Today, the Federal Government is responsible for the inspection of meat products produced for intrastate commerce in 23 States and for poultry products in 27 States. The rate of designation has accelerated in the past few years. Within the last 2 years alone, four States have ended funding for their inspection programs in the face of budgetary constraints. The remaining State programs employ 2,200 inspectors in about 4,200 plants.

During the debate on the 1967 and 1968 legislation, it was argued that if States were willing to work toward and develop federally approved inspection systems equal to the Federal program, plants inspected by the States should have the same rights in interstate commerce as those inspected by the Federal Government. The Congress, however, decided not to consider this issue until State programs could prove in practice as well as in theory that they met Federal standards. We now believe that the States with inspection systems have proven over a long period of time that they are able to operate sophisticated programs equal to the Federal. Thus, meat and poultry products from State-inspected plants should be allowed to be distributed in interstate commerce or to federally inspected establishments for further processing, as S. 593 provides.

The States also contend that the treatment of State-inspected products is blatantly unfair compared to the privileges allowed imported products. As you know, the inspection acts require inspection systems of countries that export products to the United States to meet the standards set forth in the acts. USDA reviews and evaluates foreign inspection systems, laws, regulations, and plants. After USDA determination of the eligibility of a country to export meat or poultry products to the United States, approved plants in that country are allowed to distribute products in interstate commerce in the United States once the product has passed port-of-entry inspection.

On the other hand, not only does USDA review and certify State inspection programs as at least equal to the Federal, it also pays half of the cost of most State programs. Yet, under the current law, State-inspected meat and poultry products are prohibited from being distributed in interstate commerce. We at USDA agree with the States' position that this situation is inequitable and should be corrected.

A major concern of USDA in the past has been that State-inspected products not be allowed in foreign commerce. The United States requires imported meat and poultry products to have been inspected by a national system of inspection. Most of our trading partners require the same of the meat and poultry products they import from us.

Thus, neither we nor most of our trading partners are allowed to accept imports from plants inspected by a State, local, or provincial system. Accepting products from more than one system in a country would greatly add to the administrative burden of assuring that imported products meet the requirements of a receiving country. In addition, the cost of reviewing and certifying more than one system would be prohibitive and would thus retard international trade. The proposed legislation retains the current prohibition against the sale or transportation of State-inspected products in foreign commerce and also provides that federally inspected articles prepared in whole or in part from State-inspected articles shall not be eligible for sale or transportation in foreign commerce. These provisions are consistent with our own requirements for meat and poultry products entering the United States.

USDA and other officials have also been concerned with the effect of such legislation on the stability of the Federal inspection system. In the past, many feared that if State-inspected products were allowed to be shipped in interstate commerce, plants would be able to shop around for the inspection program they preferred.

It was also feared that plant management might pressure Federal or State inspection officials to lower standards with the threat that the plant would transfer to the other program. Thus, major instability might be created in the current inspection system.

The legislative proposal addresses this concern by requiring that the operator of any establishment under Federal or State inspection who wishes to transfer to the other program do so only on October 1 of each year, after having given notice to both inspection agencies at least 6 months before that date of his or her intention to do so. In addition, the operator may transfer only after the Secretary has determined that the transfer will not adversely affect the stability of the total State and Federal system. This provision would also benefit the States, because it would discourage plants from arbitrarily transferring State to Federal inspection. In fact, the Secretary would consult with State officials before agreeing to the transfer of a plant from a State program.

Over the years, there has been instability in State inspection programs, caused at least partly by the prohibition on the shipment of State-inspected products in interstate commerce. If a State-inspected plant decides it wants to ship its products interstate, it must operate subject to Federal inspection. When it does, plants that remain in the State program are no longer allowed to sell products to the plant that opted for the Federal program. Thus, markets are lost and, as a consequence, plants may go out of business. The transfer of plants to the Federal program also means that State programs must adjust staffing patterns. Since it is usually larger plants that transfer, the problems for State programs are compounded.

The Department believes that the legislative proposal would help overcome some of the problems the States face and would thus help preserve our Federal-State system of inspection. When the Wholesome Meat Act and the Wholesome Poultry Products Act were passed, many States assumed responsibility for a large number of plants that the Federal program probably could not have absorbed at the time. Most of the plants were small establishments in areas that served the rural community. This pattern also prevails today. Such operations should be under State control because State inspection programs are more locally oriented and more accessible to small plants than is the Federal program. With this distinctive ability to respond to the needs of small plants, the States continue to play a vital role in the inspection system.

Because the States have proven that they are able to run sound inspection programs, we believe that the proposed legislation would not reduce the level of consumer protection currently provided. On the contrary, the proposal would recognize the State's contribution to that effort. It is our hope that the States will continue to support their inspection programs and that the legislative proposal before you today will encourage them to do so. This legislation is fair and logical, and the time has arrived for its passage.

Mr. Chairman, that concludes my statement, and I will be happy to answer any questions that you or your colleagues may have.

Senator **Jepsen**. One of the questions that keeps coming up is the extent to which the State inspection is actually equal to the Federal inspection.

In your opinion again, are the State inspection programs really equal to that of the Federal program?

Mr. **Houston**. Yes, sir, I believe very strongly that they are. As I pointed out in my testimony, our supervisors within these States are reviewing programs on a quarterly basis. We have been doing that now for some 15 or 16 years. We work closely with the States to upgrade their systems, and I think that the record will show that they are equal to in the data that has been developed over the years.

I won't presume to say that there haven't been problems. There have been a few, some States have not been as rigid in enforcing some requirements as other States. We have had to work with those States to get their programs upgraded, just as we have encountered program failures in the Federal system. There is no such thing as a perfect inspection system.

Senator **Jepsen**. Well, is there any type of a fail-safe system, if a State is not inspecting on a level equal to or better than the Federal level? We have had two States this morning, represented by Senator Inouye and Senator Kasten, both suggesting that their State standards, according to their research, are higher than the Federal standards. Is that true of most States? Are there a few, or any, or do you believe that that is accurate?

Mr. **Houston**. Well, we only check States to be sure they meet our standards. I am not prepared to say which States exceed the Federal standard, but I can say that all, at least, are equal to.

Senator **Jepsen**. All are at least equal to?

Mr. **Houston**. Yes, sir.

Senator **Jepsen**. Thank you.

Mr. HOUSTON. I would say with respect to your question about a fail-safe system, we have designated States in the past that didn't come up to our requirements.

Senator JEPSEN. What happens then?

Mr. HOUSTON. Then we go in and take over the management of the system and it is placed under USDA jurisdiction. The most notable example was the State of Pennsylvania, where the State did not meet Federal standards, and we got into an adversarial situation with the State of Pennsylvania. Eventually we went to court, and took over control of the State inspection system in Pennsylvania, because State officials wouldn't meet USDA standards.

Senator JEPSEN. If this bill passed and that type of situation should come up again in any given State, what would be the situation with that State?

Mr. HOUSTON. We would initiate designation procedures and assume responsibility for the management of the program.

Senator JEPSEN. Well, would they continue to ship interstate? What kind of publicity would be attendant to that? Would it be harmful to the consumption of poultry and red meats, and so on?

Mr. HOUSTON. Well, any time you get into that situation, you are going to have negative publicity such as we had a number of years ago with Pennsylvania.

But I think the State programs are sophisticated enough today so that won't occur. We have the trained personnel. State program directors and State directors of agriculture have gained quite a bit of experience over the years in running these programs. They recognize their responsibility to maintain high standards, and they are doing so.

Senator JEPSEN. Is it a fact, as things exist today, that you can have federally imported meats that come in and they receive the USDA stamp, and they can move anywhere, but, say, someone in any State who has specialty meats, a specialty sausage, or something, and we happen to have a few of those in Iowa, they would not be able to move their specialty as things stand now. Is that correct?

Mr. HOUSTON. You are essentially correct. Imported meat, upon passing port-of-entry inspection and of course meeting all other requirements, can move into interstate commerce and is considered domestic product.

That is not true of State-inspected product. It can only be marketed within the boundaries of the State.

Senator JEPSEN. Senator Melcher.

Senator MELCHER. Don, when you talk about the same standards, are we also talking about the standards that are required for the structure, the architecture, and materials used in the plant?

Mr. HOUSTON. Essentially, yes; but let me speak to that, because we do have policies there that were developed at the direction of this committee in 1967, to be sure that we did not impose standards that would cause large numbers of small plants to be forced out of business.

As a result, we developed a handbook which provides facility requirements for small existing plants, and where plants are able to meet the intent of the Federal standard, we permit them to do so.

For example, if they don't have a rail that is high enough in the plant, but they go ahead and quarter carcasses so that they won't touch the floor, we feel that that is a procedure that enables them to meet the Federal standard without having to meet the Federal requirements per se.

Those kinds of policies are outlined in the document which I described, and have been in place for a number of years. We still apply those in State plants.

So with that exception, which I term, as still requiring equivalence, all other standards are applied in a very strict fashion.

Senator MELCHER. What about labeling? What would be the effect of labeling on a State plan in Hawaii?

Mr. HOUSTON. Labeling requirements would be consistent, as they are now. They have to meet the Federal standards at this point. All of the States conduct prior label approval programs, just as we do in the Federal sector. They do it differently, obviously, because the programs are much smaller. They all have prior construction requirements as well.

Senator MELCHER. What was the effect of this review and evaluation, for examining of State plants in 1980? I understand that evaluation was done to find out which plants might not be coming into compliance with Federal standards. They are required to under existing law, I believe.

Mr. HOUSTON. Certainly. There is no change in this legislation in the standards that would be applied. There are still "equal to" provisions in place.

With regard to that 1980 survey, just let me read part of a memo that I have. The memo is dated December 2, 1981. It is to me, and it is signed by the director of our review and evaluation staff. It says, "Since the original 1980 State plant survey, we have conducted 516 reviews of State plants, 32 of these reviews were special followups on plants receiving category 1's in the 1980 State survey." A category 1 is the low category of those that were marginal plants. "The results showed that 19 percent of the original category 1's remained 1's." That is 19 percent of all those that were in category 1. "The other 484 reviews were conducted in 1981 to supplement the reviews of State plants conducted by circuit supervisors. In each State with an inspection program, we reviewed 10 percent of the State plants—or a minimum of seven plants in States with small programs, except for Delaware, which has only five plants. The results show 5 percent category 1's in 1981, versus the 16 percent of category 1's in the 1980 survey."

So there is a drop of 16 to 5 percent as a result of that survey. The 1981 results are very close to the historical average for Federal plants.

Senator MELCHER. In that survey did you do some inspections of Federal plants?

Mr. HOUSTON. Yes, sir. In fact, the review and evaluation staff are constantly reviewing Federal plants on an ongoing basis. We have placed in our 1984 work plan a project whereby this staff will again be out making a special review of State plants.

Senator MELCHER. In this particular 1980 survey or evaluation, did you use the same number of State plants and the same number of Federal plants?

Mr. **Houston**. I can't answer that. I will have to check and supply that for the record. The memo says they conducted 516 reviews, and at that time I would think we had about 4,500 plants under State inspection.

So it would be 500 out of 4,500, which is a very good sample.

[The following information was submitted by Mr. Houston:]

The following is submitted for the hearing record in response to the question posed by Senator Melcher regarding the number of reviews of federally inspected meat and poultry establishments during the same calendar year in which the 1980 review of State inspected plants was conducted by the Food Safety and Inspection Service (FSIS).

In calendar year 1980, FSIS initiated an independent, objective, nationwide review (based on a random sample) of State inspected plants. Five hundred thirty-two of the approximately 5,200 official plants located in 30 States maintaining meat and/or poultry inspection programs were reviewed. Those plants reviewed represented a random sample of at least 10 percent of the plants in each State.

During the same period, calendar year 1980, reviews were also made of federally inspected plants. Of the total 7,061 Federal meat and poultry plants, 3,240 plants were reviewed (this number includes initial reviews of plants not reviewed previously and followup reviews based on findings of previous reviews).

Senator **Melcher**. That is a good sample, but my question is, as some people have pointed out, there were a greater number of State-inspected plants that were in the lower category of evaluation than there were Federal.

Mr. **Houston**. That is true in the 1980 survey. I don't deny that.

Senator **Melcher**. That criticism is justified?

Mr. **Houston**. That criticism is justified, but the 1981 survey showed they, for the most part, had been corrected.

Senator **Melcher**. What do you do with State plants that don't meet the standards, close them down?

Mr. **Houston**. No, we don't do anything—"we" being the Federal Government—because we rely on the State to manage the programs. We make the information available to them, and it is up to them to apply procedures to get those plants upgraded, and they——

Senator **Melcher**. Under this legislation, what would you do if it became law?

Mr. **Houston**. We would use the same procedures.

Senator **Melcher**. You wouldn't close them down?

Mr. **Houston**. No. We are not going to close down plants. First of all, there is no authority to summarily close down a plant. We can, if a record, for example, of poor sanitation is achieved over some period of time, we take steps, then, to withdraw inspection. We do have the authority to stop operations to keep a plant from operating until it is cleaned up. The States have that same authority.

Those are the kinds of tools that we use, but the permanent withdrawal of inspection is not used too often, but the temporary——

Senator **Melcher**. It is there?

Mr. **Houston**. Yes, it is there. But, the temporary withholding of inspection is used every day.

Senator **Melcher**. All right. I want to develop this, because we might as well find out if this bill should be amended before it passes.

Senator **Jepsen**. Would the Senator yield?

Senator **Melcher**. Yes.

Senator JEPSEN. I find of great interest your track of questioning here. Then if this should take place, as the Senator has described, or the question he asked, that the plant violated things, and you call it to the attention, and then you say that the State would refuse inspection?

Mr. HOUSTON. The State could deal with that situation in a number of ways, depending on the seriousness of it.

Senator JEPSEN. Excuse me. Since you don't close plants down, if you refuse inspection, does that stop that sale, then? I am trying to get at it. If there is something that is contaminated or something, we want to make sure that that doesn't get out.

Mr. HOUSTON. That's right.

Senator JEPSEN. How does that stop?

Mr. HOUSTON. A plant can't operate without inspection.

Senator JEPSEN. So withdrawal of inspection will essentially stop a plant?

Mr. HOUSTON. Yes, sir. If an inspector refuses to inspect because the premises are dirty, everything comes to a halt until the plant is cleaned up.

Senator JEPSEN. Has that ever occurred?

Mr. HOUSTON. It occurs every day, hundreds of times every day.

Senator JEPSEN. Thank you, Senator.

Senator MELCHER. There are lots of ways of closing down a plant. First of all, you can enforce the requirements for meeting the structural and architectural standards, which shuts down the plant. You can arbitrarily shut down the plant.

Mr. HOUSTON. Certainly, and we can withhold certain rooms, within a plant, from being used because they may not be up to standard. That is done quite often too, if facility requirements deteriorate.

Senator MELCHER. You are not talking about just killing plants, but also you are talking about distribution plants.

Mr. HOUSTON. Processing plants are also included.

Senator MELCHER. Do you inspect Campbell's soup plants?

Mr. HOUSTON. Yes, sir, we do.

Senator MELCHER. Do you require them to bring back the product on the basis that it may be contaminated?

Mr. HOUSTON. We do have voluntary recall procedures that can be put into effect if necessary, yes, sir.

Senator MELCHER. The withdrawing of inspection is the last step you take. If you had a requirement in this bill that the withdrawing of approval by the Federal Government would require the withdrawing of State approval, would you find that hard to operate?

Mr. HOUSTON. I am sorry, Senator, I didn't get the context of the question.

Senator MELCHER. You have the authority, even if you don't frequently use it, to shutdown an operation when it is not doing the right thing, until they clean it up.

Mr. HOUSTON. Right.

Senator MELCHER. If you find that a State is not rigidly enforcing the same standards that would be the case with USDA inspection, and the provision were put in the bill that just said that when you notified the State that you have a problem, they would be forced then to make the adjustment or to shut down the plant on the same terms USDA would do it, would you find that harmful in the bill?

Mr. HOUSTON. No, I don't believe so, because I think that is, in practice, what we do now.

Senator MELCHER. Well, I know it is the practice. All these plants could become Federal. In Montana, I think it is all Federal.

Mr. HOUSTON. Yes.

Senator MELCHER. All of them can become Federal. I know what it costs. Although it is local plants, the little plants in our town, they know what it costs to become Federal, but the State backed out and they had to become Federal. It is quite a burden.

As I understand it, the only criticism of the bill is that it is just sort of a means of allowing States to slough off, and not really enforce it as rigidly as if it were Federal.

Mr. HOUSTON. Well, I believe our procedures are such that if they don't continue to meet standards, we will take action to designate that State and remove it from State responsibility, State management. That we have.

Senator MELCHER. I think you probably do. But I just wonder if the legislation would be weakened to explicitly require you to do that.

Mr. HOUSTON. I believe the legislation as currently written does require that, Senator. I don't have a copy in front of me.

Senator MELCHER. Since you haven't shut down any plants, that is hardly reassuring.

Mr. HOUSTON. Well, again, we don't manage—we don't run State inspection programs. We simply monitor them to be sure they come up to standards. We do that by looking at their operations. We don't want to manage State programs. We think if we do that, then there is really no role for the States. We have got to let them manage the day-to-day operations.

Senator MELCHER. I think there is some perception of a gap, and although I understand what you intend to do, and probably would do if you had to, it hasn't been done yet.

How do you get by this ante mortem inspection? Do you still do it?

Mr. HOUSTON. Yes, sir.

Senator MELCHER. Who runs it?

Mr. HOUSTON. Inspectors that are stationed in the plant.

Senator MELCHER. What qualifications do the inspectors have?

Mr. HOUSTON. Well, we employ, as you know, about 1,300 veterinarians in the Federal meat and poultry inspection program, and another 8,000 food inspectors. We utilize both food inspectors and veterinarians to conduct ante mortem inspection, depending on the operation.

Senator MELCHER. Ante mortem inspection isn't the easiest thing in the world.

Mr. HOUSTON. I agree, but in isolated, small——

Senator MELCHER. You know, it takes somebody who understands what a sick animal is to recognize a sick animal. How many plants are you inspecting where you are using lay people to make the ante mortem inspection?

Mr. **Houston**. At most of our small plants, at most of our small slaughter plants, food inspectors are used to conduct ante mortem inspections.

Senator **Melcher**. As a practicing veterinarian for 20 years, I didn't always recognize a sick animal when I saw it, and I don't know how somebody with less experience than I had is going to recognize a sick animal. I think it is very critical.

Senator **Jepsen**. Senator Melcher, you don't believe that that has been happening, do you?

Senator **Melcher**. Pardon me?

Senator **Jepsen**. You don't want the record to show that that in any way has been happening. I think that would be very harmful.

Senator **Melcher**. That it has been happening?

Senator **Jepsen**. Yes.

Senator **Melcher**. I want the record to show it can happen, and it is a heavy responsibility of the Department of Agriculture to make sure that it does not happen. I am not saying you are going to die because of a diseased cow or steer, but I think it really ruins your appetite to take a bite of it.

Thank you very much, Mr. Chairman.

Senator **Jepsen**. The Chair would advise the people who will testify here today that this committee has to stop the meeting at 12 o'clock, and that is because of the parliamentary rules of the Senate. There have been objections filed because of the debate on the floor.

Therefore, like all other committees, we can only meet until 12 o'clock.

So in order for everyone to testify, I would respectfully ask the other witnesses to summarize their major points so that we can have time for questions and so on.

At this time, I will be calling on the distinguished Senator from Oklahoma to chair the committee, and ask him to take the chair here, if he would, please.

I would like to introduce my fellow Iowan, Dale Turnmire, who will be testifying later this morning. I regret that I am unable to stay during his testimony. As chairman of the Joint Economic Committee, which is another hat that I wear, I am to open up a committee meeting where it will be announced this morning that there is an 8.7 percent gross national product increase, which is nearly double what was projected, and it is going to be quite a startling meeting.

Dale is the owner of Dale's Fine Meats, and owns and operates Puritan Meats and Processing in Cresco for 35 years. He has served as executive director of the Iowa Meat Processors Association for the past 17 years, and the membership of the Iowa Meat Processors Association includes 210 plants and 73 supplier members. The association is the oldest and largest of its kind in the United States, with 46 years of service to the industry.

So I know the committee will be interested in Dale's comments regarding this bill, and Iowa's State inspection of meat program. I welcome you, Dale.

I thank the distinguished Senator from Oklahoma for taking the chair.

Senator **Boren** [presiding]. Thank you very much, Chairman Jepsen. We appreciate your interest and leadership in this particular legislation, and in conservation of time, as the chairman has already announced, we will have to move right along in order to finish by 12 o'clock, the deadline that has been imposed upon us by the Senate rules.

I will insert my own opening statement into the record to conserve time.[1] I do want to point out that I strongly support this legislation.

I think that States are maintaining very outstanding inspection programs, and this will enable many small processors to be able to compete. Under this legislation many will be able to even compete for Government contracts, the 5,000 who are now not eligible to compete. I would also point out some State pride from an Oklahoma point of view, that as far back as 1973, my predecessors from Oklahoma, Senator Bartlett and Senator Bellmon, were among the originators of this particular piece of legislation.

I also submit for the record a series of questions for Mr. Houston, and we can have responses from him in writing to save further time.

I would like to ask one question orally, and that is, I noticed that in 1979 you testified against passage of this legislation, and I assume that there have been developments since then. You have already mentioned the improvements that you found in terms of your quarterly surveys of State inspection, but I would presume that the State programs have improved to the extent, over the past 3 or 4 years, that you do believe the States have proved themselves, and you do support this legislation. Am I correct in assuming that is the reason for the change in your own attitude?

Mr. **Houston**. That is correct.

Senator **Boren**. How many States do we now have that have State inspection that would be equivalent to Federal?

Mr. **Houston**. Twenty-seven.

Senator **Boren**. Twenty-seven. I wonder if we had acted 5 years ago, how many plants would have benefited from this legislation, and I wonder how many would benefit today from this legislation.

Mr. **Houston**. Today, 4,200 plants would benefit. Let me just go over the States that have been designated, and I will go backward from 1981 on.

In 1981, we designated four States, Arkansas, Idaho, Michigan, and Rhode Island. In 1980, we designated one State. That was Maine. In 1978, one State, New Hampshire, and in 1976 two States, California and Massachusetts, and in 1975, five States, Colorado, Connecticut, New Jersey, New York, and Tennessee.

Then, an additional 10 plants back to 1970—10 States. Pardon me. That is a total of 23 States that were designated.

Senator **Boren**. So we are now up to rather significant volumes in numbers of plants and dollars in sales, that could be affected.

Mr. **Houston**. Right; I think these 4,200 plants are very small plants, usually in the rural communities, having specialized markets, but still are very important to our food supply system.

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[1] See p. 51 for the prepared statement of Senator Boren.

Senator **Boren**. But you do find the pattern now is as I understood your testimony as I came in, that the States are now really doing the job, and you find very little significant difference—no significant difference—between the standards that you are now experiencing through Federal and State inspection.

Mr. **Houston**. That is right

Senator **Boren**. This would allow the opening of great additional opportunities for markets for the smaller plants that are not now financially able to go through all the requirements necessary to get Federal approval.

Mr. **Houston**. This would provide equal treatment to the entire meat and poultry industry.

Senator **Boren**. Thank you very much. We appreciate your testimony, and I will submit, as I say, some additional questions, and you can respond with written answers for the record.

Mr. **Houston**. Thank you very much.

Senator **Boren**. Thank you very much.

[Questions submitted by Senator Boren and the Department's answers thereto:]

Question 1. What would be the additional cost to the Federal government if all the State-inspected plants switched to Federal inspection?

Answer. If all the State programs were designated, it is estimated that the increased cost to the Federal government would be in the range of 25–30 million dollars.

Question 2. We continue to hear the complaint that "at least equal to" does not really mean that. Since you are, most likely, aware of that criticism, would you please tell us what possible problems you foresee and your plans in dealing with them?

Answer. The Federal Meat Inspection Act (FMIA) requires states to develop and effectively enforce requirements for the inspection of meat and poultry products distributed in intrastate commerce that are "at least equal to" those of the Federal program.

To assure that the states are meeting these provisions, the Acts require the Federal inspection program to conduct periodic reviews of State programs. USDA evaluations of those programs include reviewing information on State program authority, number and types of plants, program staffing, funding, changes in organization and administration compliance and evaluation at the State level, and the results of reviews of State plants. USDA conducts on-site reviews of randomly selected samples of State plants throughout the year. If supported by our review results, we certify annually to Congress that each State program is being maintained at a level that is "at least equal to" the Federal program. Today, inspection of meat products produced for intrastate commerce is conducted by 27 states and for poultry products by 23 states.

Based on our current system of reviews and financial as well as advisory and technical assistance provided to the states, we do not at this time anticipate any major problems which would require extraordinary steps to assure the continued satisfactory State administration of the "equal to" provision of the FMIA. USDA will continue to cooperate with the State programs to provide the consumer with safe and wholesome supply of meat and poultry products.

U.S. Department of Agriculture,
Food Safety and Inspection Service,
Washington, D.C., August 11, 1983.

Hon. Jesse Helms,
Chairman, Committee on Agriculture, Nutrition, and Forestry,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: Thank you for your July 25 letter asking for written responses to questions on S. 593, a bill to permit interstate shipment of State-inspected meat and poultry products.

The questions and our responses to the enumerated questions follow:

Question 1. I am told that the General Accounting Office (GAO) has some reservations about the adequacy of the State inspection system, and, in fact, the effectiveness of USDA's audit of the various State programs. Isn't it true that GAO has identified a number of inadequacies in certain State programs and, because of this, is currently comprehensively reviewing USDA's certification of the State programs?

Answer. In December 1982, the General Accounting Office (GAO) gave to Senator Lawton Chiles a report entitled "Changes Underway to Correct Inadequacies in Florida's Meat and Poultry Inspection Program." On the basis of the GAO study, Senator Chiles and Senator Thomas F. Eagleton decided that a more in-depth review of USDA certification of State programs was needed.

The GAO now is preparing a report on its study of the Department's oversight of State meat and poultry inspection programs. The GAO review will determine whether the Department's state program certification procedures conform to the authorizing legislation and will evaluate the methods used in special USDA reviews of State programs in 1980 and 1981. We understand that the GAO will issue its final report to the Congress in October 1983. The Agency will respond to any recommendations made by GAO within 60 days of issuance of the report.

Question 2. When USDA reviews State-inspected plants prior to "designating", or taking over the State inspection system, do you find that many plants fail to come up to Federal requirements?

The enclosed table shows the status of intrastate plants before and after designation. As you can see, the overwhelming majority of previously State-inspected plants are able to satisfy Federal requirements after designation.

DESIGNATION: INTRASTATE PLANT STATUS BEFORE AND AFTER DESIGNATION

Designated States	Plants under State jurisdiction			On day of designation			
				Plants under Federal jurisdiction			Percent of State plants under Federal jurisdiction
	Official	Exempt	Total	Official	Exempt	Total	
Arkansas* (M)	101	70	171	92	80	172	101
California (M&P)	375	469	844	358	458	816	97
Colorado* (M)	79	47	126	81	52	133	105
Connecticut (M&P)	84	12	96	80	11	91	95
Idaho* (M)	77	86	163	74	75	149	92
Kentucky* (M)	116	68	184	79	61	140	76
Maine* (M)	32	69	101	31	68	99	98
Massachusetts (M&P)	107	35	142	88	27	115	81
Michigan* (M)	354	54	408	316	92	408	100
Minnesota* (M)	162	268	430	92	240	332	77
Missouri (M&P)	270	197	467	249	178	427	91
Montana* (M)	53	48	101	52	40	92	91
Nebraska* (M)	94	134	228	82	130	212	93
Nevada (M&P)	14	12	26	11	12	23	88
New Hampshire (M&P)	19	25	44	16	27	43	98
New Jersey (M&P)	182	12	194	171	13	184	94
New York (M&P)	478	66	544	451	66	517	95
North Dakota* (M)			206	51	128	179	87
Oregon (M&P)	100	70	170	100	70	170	100
Pennsylvania* (M&P)	517	169	686	520	118	638	93
Rhode Island (M&P)	30	4	34	28	6	34	100
Tennessee (M&P)	109	82	191	103	88	191	100
Washington (M&P)	71	109	180	71	109	180	100

Note.—All States identified with an * did not establish a State poultry inspection program. North Dakota, Minnesota, Kentucky, Nebraska and Pennsylvania did not develop a State meat inspection program "equal to" the Federal law. All other States have requested Federal Government to assume intrastate plant jurisdiction because of financial constraints at the State level.

Question 3. Do you believe that it would be premature for Congress to permit the wholesale interstate shipment of State-inspected meat in light of the many "equivalency" questions that remain unanswered at this time?

Answer. As we stated in the hearing on S. 593 conducted by the Committee, we strongly believe that State inspection programs are equivalent to the Federal program. To assure this equivalence, our field supervisors review State programs on a quarterly basis and have done so for 15 years. As in any large program, there are occasional problems, but we work closely with the States as necessary to improve their inspection systems. The States with inspection systems have proved that they are able to operate sophisticated programs equal to the Federal program. For this reason, the proposed legislation should be enacted in the current session of Congress.

We hope this information is helpful. If we can be of further assistance, please let us know.

Sincerely,

DONALD L. HOUSTON, *Administrator.*

Senator **BOREN**. Our next speaker this morning will be Robert Odom, commissioner of agriculture, State of Louisiana. Is he here? We are going down the order on the agenda. The chairman introduced a representative from Iowa who will be appearing on a later panel, and he wanted to make those remarks of welcome to him before he left.

I understand you are not only speaking as commissioner of agriculture for the State of Louisiana, but also represent the National Association of State Departments of Agriculture

Mr. **ODOM**. That is correct.

Senator **BOREN**. We will receive your full statement for the record, and if you like, you can summarize and highlight to help us save time.

Mr. **ODOM**. I will summarize, if you will bear with me a little bit. I had intended to give the full testimony, but I will summarize.[1]

STATEMENT OF ROBERT ODOM, COMMISSIONER OF AGRICULTURE, STATE OF LOUISIANA, REPRESENTING THE NATIONAL ASSOCIATION OF STATE DEPARTMENTS OF AGRICULTURE

Mr. **ODOM**. Mr. Chairman and members of the committee, I am Bob Odom, commissioner of agriculture for Louisiana. I am presenting testimony for the National Association of State Departments of Agriculture. The association represents the commissioners, secretaries and directors of agriculture in the 50 States, the Commonwealth of Puerto Rico, and the territories of Guam, American Samoa, and the Virgin Islands. We appreciate the opportunity to testify on S. 593.

This legislation will correct a very serious inequity in the law. As you know, for many years the State has been under an equal-to-Federal-inspection inspection system. This will give our State plants the opportunity to be able to move meat outside the borders of the State.

It is unfair for a State-inspected plant, with an imaginary line that divides it and another State, to not be able to move meat that is made in an equal to State inspection program, between State and Federal inspection.

Not only that, the State programs are required to go through a review program by USDA on a quarterly basis. If a State program does not come up to the standards of USDA, then that program is subject to designation.

No commissioner of agriculture or administrator of a meat inspection program would like to have that type of publicity so I feel very strongly that commissioners are giving their time and their efforts to insure that these programs are equal to.

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[1] See p. 65 for the prepared statement of Mr. Odom.

There was a question a little bit earlier on a State program, of how do we insure that that meat does not move if it does not meet the requirements of a typical inspection. When we come in for a review, we review the State plants every morning as we go in, as the Federal does. Many, many times, we may hold an inspection. Holding that inspection means that that plant cannot operate until it corrects whatever problems that it has that particular day.

If we come in and have a review by the USDA of the State plants and something is noted, if that notation means that the inspection is pulled right then, exactly like it would be done in a Federal plant, and that product would not be able to be moved in commerce.

We believe that since we have done the operation of the Federal meat inspection program, that both the Federal and the State have taken many knocks together, we believe now that we truly have an equal to inspection, and should be allowed the same opportunities to market our commodities from different States as are marketed through the Federal inspection plan.

One of the things that makes it awful tough for us, and especially in Louisiana, our operation is primarily hamburger meat, primarly stew meat, because of the type of cattle operation. We are sitting there with the Port of New Orleans that can receive foreign meat. Once it meets that port inspection, it is allowed to move into the chain. We cannot bid or compete with a chainstore that is located there that has got stores outside of that State, and give our cattlemen the opportunity of being able, and our processing plants the opportunity of being able, to market their commodity.

Mr. Chairman, permit me to address some of the specific allegations and concerns being raised against this legislation. Some Federal-inspected firms are concerned that competition from State firms may cut significantly into their interstate sales. However, Federal plants have little to fear. Although approximately 40 percent of all slaughtering, packing and processing plants in the United States are under State inspection, only about 3 percent of the Nation's red meat, and less than 1 percent of the Nation's poultry pass through State plants.

Not all State plants will exercise their new access to interstate markets. Moreover, many of these plants specialize in unique varieties of ethnic and regional foods, and would not pose any direct competition with products now on the State market.

This legislation may actually benefit the Federal establishments by enabling them to buy products or materials from State plants for further processing or manufacturing. They would be able to subcontract work to State plants to ease overtime problems, take advantage of specific equipment or skills, or just for the sake of convenience.

Some critics maintain that S. 593 would undermine consumer confidence in the U.S. meat and poultry supply. This argument is false. There is no data, evidence, or market survey that indicates that consumers have less confidence in the State products than in Federal products.

On the contrary, some of the Nation's finest gourmet products, such as sausage, cured hams, ducks, and veal products pass under

State inspection. Many State brands have acquired impressive reputations in their respective product lines.

Some critics claim that Senate bill 593 would result in added enforcement costs because State products suspected of adulteration would have to be traced back to the State of origin. This argument is without foundation.

USDA already has cooperative enforcement agreements with all State programs, and State personnel readily assist Federal personnel in enforcement activities. A recent example of valuable assistance provided by State inspection followed the kangaroo meat incident in 1981.

The legislation will permit reinforcement and encourage even closer coordination, resource sharing, and personnel cross-utilization between the States and USDA, and such cooperation will help keep costs at a bare minimum.

Mr. Chairman, this legislation is the accumulation of many hours of careful deliberations by a joint State-Federal task force of experienced and highly knowledgeable food safety professionals. Every potential impact has been identified and analyzed, and the draft text of the bill was widely circulated for further comments and input.

Keeping 40 percent of the Nation's meat plants under State inspection will avoid major new increases in the Federal meat inspection budget, and will help allow domestic plants to compete fairly with foreign meat and poultry products in American markets.

Both State and Federal programs are needed. The USDA and State programs need to work together, complementing each other's programs, without any implication that the State system is inferior to the Federal.

In essence, Mr. Chairman, this Nation has a single inspection system enforcing the high standards of wholesomeness and quality mandated by Congress in the Federal Meat Inspection Act and the Poultry Products Inspection Act. All products that meet this standard, whether State or Federal inspected, are entitled to enjoy the same access to American markets.

Thank you for the opportunity of being able to testify on S. 593 for myself as commissioner of Louisiana, and for the national association. I will be glad to answer any questions.

Senator **Boren**. Thank you very much, Mr. Odom. We appreciate your testimony, and let me say as a former Governor I felt very strongly that when I came to the Senate I was not going to forget that there was a lot of wisdom and expertise in State government, and that it did not all reside in Washington, and I think that your testimony reflects that that is certainly true.

I want to congratulate you on your own State program, and also as a representative of other States, for the great strides that have been made.

The chairman of the full committee has joined us, and we are honored and privileged to have him here, Senator Helms, and I am going to yield to him for any questions that he might have at this time.

The **Chairman**. Mr. Odom, it was good of you to come and testify.

Mr. **Odom**. Thank you.

The **Chairman**. I have to ask you if you know a fellow named Jim Graham.

Mr. **Odom**. Who doesn't know Jim Graham, Senator?

Right after being elected—I am elected in Louisiana, and as a matter of fact I announced yesterday for reelection—but right after being elected, I made a trip with Jim Graham, Doyle Connors, and some of the others down to a meeting in Puerto Rico, and from then Jim and I have been very close friends.

The **Chairman**. I want to ask, on that trip did you get a word in edgewise?

Mr. **Odom**. Very few.

The **Chairman**. He is a great citizen and a good friend of mine. We belong to the same Sunday school class in North Carolina. He is about 9 feet tall, has got a booming voice, and he has cultivated his constituency, to say the least. You couldn't beat him with a stick down there, and nobody tries to.

Mr. Chairman, I appreciate your holding this hearing. We have a vote on. We may have to recess this meeting briefly to go over and do our duty.

I have supported similar legislation in the past, and I understand the issue is one that is not completely unanimous in terms of agreement in the meat industry. Hopefully, these hearings will shed some light on any difference of opinion.

Mr. Chairman, I believe your next witness is a distinguished citizen from my State, Ken May of Holly Farms, from Wilkesboro, N.C. Holly Farms, as you know, is a major supplier of poultry products in the area, and means a great deal to the agricultural economy in North Carolina.

I do have one question. If State-inspected plants are interested in going across State lines, why don't they just simply become federally inspected plants?

Mr. **Odom**. Mr. Chairman, the reason that a lot of them don't become federally inspected plants is that they are small plants. They don't understand the process, and it takes a lot less action to go to the State government than it does coming up to the Federal, and State government has three tiers. In the Federal program, there is as high as six tiers, and also the cost of inspection between the two. It is cheaper for the State to inspect that plant, as far as the administration aspect of it. It is more expensive for the Federal to inspect the plant because of the difference in the cost of inspection services.

I would say that a great portion of it is that the small individual, in a small community, and he can get better service by being a local State-inspected plant.

The **Chairman**. Thank you, Mr. Chairman.

Senator **Boren**. We are going to have to go, and I apologize for the circumstance we are in. There is a rollcall vote now on a procedural vote. It will be immediately followed by 4 minutes of debate, followed by a motion on cloture on the filibuster on the MX missile, which will occur right after that. So I think it is possible that we may be able to be gone only about 10 minutes total.

I apologize. I read an article in the Washington Post last week saying we need to reform the rules and procedures of the Congress and modernize our procedures so that we could schedule things with a little more certainty. I apologize for some of those who are with us today. We are going to have to have a temporary interruption, but is necessary.

Let me just ask one or two brief questions, and then we will have a very short recess, hopefully. I was impressed by what you said about the State-inspected plants being at a disadvantage, especially in a State like yours, where you have the Port of New Orleans, you have foreign imports coming in. As I understand it, they may well meet inspection standards that are certainly no more rigorous—they may be less rigorous—and that meat can move in interstate commerce, and yet the State-inspected plant that is meeting the same or better standards than Federal inspection, the processors there inside the State of Louisiana, cannot move their poultry or meat across the State line. Am I correct in that?

Mr. **Odom**. That is true, Senator. I believe, if you go back and look at the record, they have less of a review than what State plants meet as far as a review is concerned.

Senator **Boren**. So our law now is actually allowing foreign produced meat to move across State lines, with standards that certainly don't exceed, and probably are lesser standards, and yet we are not allowing our own State-inspected meat to move across State lines.

Mr. **Odom**. That is right, Senator. That is true, again especially in our State. It would give us better markets to be able to market our animals there locally, equally, and with more dollars to the farmer with the economic condition that the farmer is in.

Senator **Boren**. Right. I also understood, and this goes back to what Senator Melcher was asking earlier, that certainly the State would act—he was using the term "close down a plant," at least stop the movement at that point in time if you had a serious problem until it was cleared up. My understanding is that you do follow exactly those procedures, very similar to what the Federal inspectors would follow.

Mr. **Odom**. Yes, sir, that is exactly true. We follow the same procedures. If we go in and that plant is not clean, not sanitary, we pull inspection. We don't pull the certificate of operation. We just pull the inspection,the same as Federal.

Federal doesn't pull the certificate of operation. They pull the inspection until those things are corrected.

Senator **Boren**. So there is not going to be something moved out of it until it is corrected.

Mr. **Odom**. That is exactly right. It is the exact same thing. The difference we have sometimes between the Federal and the State is based on structural. Again, he used the example of the rail lift that was used. Now, there is—any new plant that goes into operation today has to meet the exact same standards. In other words, we have to have a blueprint, we have to prove that blueprint, and it has to meet the same standards.

Senator **Boren**. Right.

Mr. **Odom**. But it is already in operation, if it is already in operation, it was grandfathered in back under the passing of that act, and the rail, or some things like that, may not have been the same.

Senator **Boren**. Right. I understand, also, that the USDA does do a quarterly survey of the effectiveness of State programs. If you had a State—I would assume, and I would ask if you agree under the wording of this legislation—that was not meeting essentially the same standards as Federal inspection, if they were significantly below, either by the letter of the law or by their enforcement of their own law, that they would not be eligible for participation at that point.

Mr. ODOM. That is exactly. They pull the designation. When they pull the designation, the Federal would go in and take it over, and I feel that the State inspection programs today are meeting the exact same standards, or even in some cases exceeding these standards.

Senator BOREN. Right. Are there any more questions?

We had better recess. Mr. Odom, I appreciate your testimony very much, and we are privileged to have you come. We wish you good fortune. My perspective has changed. When I first ran for office as an outsider, I said what we needed was new blood, new vigor and enthusiasm, and now I believe maturity and experience are what is absolutely necessary.

The CHAIRMAN. Mr. Commissioner, the distinguished chairman alluded to our system in the Senate. I will have to defend the system by a paraphrase of Churchill: "We probably have the worst system in the United States Senate, except for all the rest."

Senator BOREN. That's correct.

Let me ask if, while we are in this brief recess, if Dr. May, who has already been presented by Senator Helms, would come forward, Mr. Stephen Ritter, testifying on behalf of the American Meat Institute, and Edward Jones, vice president of Webber Farms, Inc., testifying on behalf of the Kentucky Meat Processors Association, the three of you as the next panel might come on up to the table, and that might conserve some time.

We will stand in recess for, I hope, about 10 minutes, and then we will proceed immediately with that panel when we return.

[Recess to vote.]

Senator BOREN. I apologize that we were delayed a little longer than we thought that we might be, but we will start right in. Are only three of you speaking? There are other staff people with you, but there are three that will be speaking? All right. Dr. May can commence, then, at this time.

STATEMENT OF DR. KENNETH MAY, VICE PRESIDENT OF RESEARCH AND QUALITY ASSURANCE, HOLLY FARMS POULTRY, INC., WILKESBORO, N.C., TESTIFYING ON BEHALF OF THE NATIONAL BROILER COUNCIL AND THE POULTRY AND EGG INSTITUTE

Dr. MAY. Thank you, Mr. Chairman. I am vice president for research and quality assurance of Holly Farms Poultry Industries, Inc., Wilkesboro, N.C. I also serve on the board of directors of the National Broiler Council.

The council is a trade association representing the producers and processors of over 75 percent of the broiler/fryer chickens produced in the United States.

The Poultry and Egg Institute of America is a national association representing producers, processors, and distributors of chickens, ducks, eggs, and turkeys. I am also representing them today. I am pleased for the opportunity to appear before you to discuss the reasons why we do not support bill No. 593, the Federal Meat and Poultry Products Inspection Act of 1983.

S. 593 provides that poultry and meat products prepared under a State inspection system may be shipped and sold in interstate commerce. We fear that allowing such products in interstate commerce could erode the integrity of the Federal inspection system and consumers' confidence in the quality and uniformity of federally inspected poultry and meat products. In addition, the legislation would create another layer of regulations to prevent the entrance of State-inspected product into international commerce, and would result in a costly and confusing duplication of efforts.

Fundamentally, NBC and PEIA believe that this legislation is unnecessary. Since the passage of the Poultry Products Inspection Act in 1957, the predominance of poultry consumed in the United States has emanated from federally inspected establishments. In its 1981 "Meat and Poultry Inspection Directory," USDA's Food Safety and Inspection Service lists more than 3,000 federally inspected poultry establishments. There are currently 229 State inspected poultry plants.

Thus, State inspected poultry plants represent only approximately 7.6 percent of total establishments, and product being prepared in State-inspected establishments represents only 1 percent of total annual poultry production.

We feel that it is simply not worthwile nor equitable to allow this product in interstate commerce, nor to create additional, special regulations which apply to such a minute portion of establishments and product, especially when those establishments already have the option of converting to Federal inspection in order to sell product interstate. If, in fact, State-inspected plants operate an equal to system, this conversion should represent no problem.

Establishments wishing to sell their product in interstate commerce can convert to Federal inspection, and they should be subject to the same requirements and provisions that go hand-in-hand with Federal inspection and interstate sale. They should be required to have equipment and plant layout approvals, labeling requirements, processing and slaughter regulations, and residue controls, as well as adhering to Federal employee rules and regulations observed by plants staffed by Federal inspectors.

It is inherently unfair to allow State-inspected plants to ship interstate while adhering to different and nonuniform inspection regulations, especially when the option of converting to Federal inspection is already available to them. According to USDA, only 27 States maintain a poultry inspection program. This means that in 23 other States, a federally inspected poultry establishment would be prevented from converting to State inspection due to the absence of a State system, while plants in every U.S. State could receive Federal inspection.

In addition, this switching of federally inspected plants to State inspection systems was of such concern to USDA that a provision was inserted in the bill barring changes from or to State-Federal inspection more frequently than once a year, and then "only if the Secretary determines that such a transfer will * * * not adversely affect the stability of the total State and Federal inspection systems."

A more serious problem with the legislation, however, focuses on uniformity. The poultry industry has worked very diligently since the inception of mandatory Federal inspection to produce a wholesome, nutritious, properly labeled, inexpensive, and above all uniform product. Most of the success of the poultry industry has been due to its reliance upon uniform Federal slaughter, processing, labeling, packaging and other criteria prescribed by the U.S. Department of Agriculture.

We believe that the interstate sale of poultry products which are State inspected might erode consumer confidence in product uniformity. Currently, a consumer can purchase poultry from New York to California that bears the USDA mark of inspection, as well as a USDA grade shield, and consumers know that those legends represent a wholesome, federally inspected product. Under the proposed legislation, products prepared in State-inspected establishments must bear a label designating the State of origin. These products would not carry a Federal inspection shield and, if graded at all, would most likely bear a grade shield different from that of USDA. We believe that movement in interstate commerce of products packed and labeled so diversely from Federal standards could prove most confusing to consumers.

In testimony before the Subcommittee on Agricultural Research and General Legislation of the Senate Agriculture Committee in October 1979, FSIS Administrator Dr. Donald Houston pointed out that:

> The Federal inspection system was designed to produce uniformity and confidence for consumers in the safety of the meat supply. The mark of Federal inspection assures consumers that meat has been examined by inspectors who enforce the same standards nationwide, and that it has been slaughtered and processed in plants that must adhere to the same national standards.

We also contend that the enactment of this legislation could prove both burdensome and costly to both Federal and State agencies. Currently, State-inspected plants must be reviewed by USDA on a routine basis to assure that the establishments are meeting the "equal to" requirement prescribed by the Department of Agriculture. FSIS Administrator Don Houston noted in 1979 testimony before this committee that "* * * if State plants were permitted to ship product to Federal plants * * * Federal involvement at particular State plants would increase significantly."

Dr. Houston also said that there would be "problems with compliance once State-inspected product entered interstate commerce," noting that compliance over illegal movement of meat would be very difficult to achieve.

In the case of adulteration, for example, Dr. Houston said that "Federal inspectors would be required to take action to see that other adulterated product was not being shipped from the plant of origin," adding that "there would be unavoidable duplication of effort."

There also exists the added burden and confusion that would result from having to keep State-inspected product strictly segregated from federally inspected product to prevent the introduction into international commerce of that product not inspected by the Department of Agriculture.

Testifying on identical legislation last year before the House Agriculture Subcommittee on Livestock, Dairy and Poultry, Dr. Houston said that FSIS would have to "promulgate regulations to prevent plants that are going to export from purchasing State-inspected product," adding that there would have to be a "segregation of those plants that are going to be" exporting. Dr. Houston also expressed his concern about the additional administrative problems such segregation and necessary regulation would impose.

Our last concern about this legislation centers on product quality. While we recognize that some States probably operate inspection systems that are adequate, we also know that there are some State inspection systems that clearly are not equal to the Federal inspection system.

For example, the General Accounting Office, in a December 30, 1982, report, said that USDA's periodic evaluation of State inspection systems indicated that one meat and poultry inspection system was one of the "poorer State programs," and that a "noticeably higher percentage of unacceptable items" had been found in that State's inspected plants than in federally inspected plants or other State-inspected plants nationally. Over 80 percent of the deficiencies cited in those plants related to "sanitation, processing, and pest control" according to the GAO report.

Additionally, we are all aware of the difficulties experienced recently in another inspection program, where officials heading the State meat and poultry inspection program were removed from their jobs for inadequate performance, necessitating the assignment by FSIS of Federal veterinarians to supervise the program indefinitely.

These specific examples of inadequate State inspection systems cause the poultry industry a good deal of concern. As I stated before, we are proud of the reputation of our products enjoyed with consumers, and we do not view any measure positively which could erode that consumer confidence.

In summary, while we certainly support the continuation of State inspection programs where desired, NBC and PEIA oppose S. 593 because of the erosion of the Federal inspection system and loss of consumer confidence which could result because of the potentially dissimilar nature of product quality, labeling, and other factors of State inspected poultry products as compared to Federal products.

In addition, we believe that enactment of such a program would be confusing to both Federal and State governments, and would result in a duplication of efforts that is simply unnecessary in light of the fact that State-inspected establishments have the option of converting to Federal inspection.

Again, we see no need for new regulations which apply to a mere 1 percent of poultry produced in the United States. We believe that State-inspected establishments which wish to ship their products in interstate commerce should and must choose the option of converting to Federal inspection.

Thank you.

Senator BOREN. Thank you very much, Dr. May. Your quotations from Mr. Houston's testimony, I gather, were not from the testimony that he gave this morning, but earlier testimony. Do you know what date that was, of that testimony?

Dr. MAY. Yes, sir. That was in October 1979.

Senator BOREN. 1979?

Dr. MAY. Yes.

Senator BOREN. Of course, this morning he testified that there had been such significant improvement in State standards since 1979 that it had caused him to change his point of view from the earlier testimony.

You talked about uniformity, the necessity of uniformity of standards in such things as equipment layout, approval, and so on. It is my understanding that a number of plants that are federally inspected have been grandfathered in by the federalization of some State programs. I understand that there are some meeting Federal standards that have been grandfathered.

Has the council or the institute advocated going back in and doing away with the grandfathering so that we could have absolutely uniform standards of those that are federally certified?

Dr. MAY. We have not been active in that area in either group that I am aware of, the reason being that very little poultry is produced in those plants.

Our fear on the uniformity issue is not the rules and regulations being the same, but the enforcement of those. We have problems even within the Department of Agriculture in different areas of getting enforcement of the rules and regulations exactly the same. If that were turned over to 50 different agencies, we fear that it would be chaos.

Senator BOREN. Well, I understand what you are saying, although it does seem a little inconsistent: if we are not concerned, we have substantial compliance. The bill talks about only admitting those State inspection programs which do meet or exceed the Federal standards of practice.

You mentioned a couple of States where there were problems, but you also mentioned that the Federal people had gone in and taken over those States, and, I gather, no longer designate those States. Doesn't that show that this kind of thing can work?

Dr. MAY. It has happened, and States have had to be designated, and a Federal takeover. I also pointed out in my testimony, though, that in a number of States, there would be no option of changing from State to Federal, back and forth, because there is no State program.

Senator BOREN. I understand that, but according to Mr. Houston this morning, the Federal Government can dedesignate. Also the commissioner from Louisiana testified that the State program could be dedesignated if it were found they were not meeting the appropriate standards.

Dr. MAY. That could happen, but I think someone mentioned in the testimony, also, that you can have inherent bad publicity when something like that happens. We view that as being a problem for the entire industry when you have bad publicity concerning poultry. It doesn't affect just one company or one State, it affects our entire product in the entire United States.

Senator BOREN. Let's take a State, whether it is Louisiana, or Arkansas, or Oklahoma, or North Carolina, or wherever it happens to be. We already have, of course, in many, many States, poultry, meat, and other products being sold in that State that bear a State stamp as opposed to a Federal shield, and apparently that is going on without lack of confidence, or confusion.

One of the witnesses this morning testified that some of these brand names that are State inspected have become very well known, sausage and various products, and they have a very established market. Do you feel that we should go in and not allow the State shield within the interstate market?

In other words, if it is not causing a lack of confidence intrastate in those markets, and the council is not opposing having a State sticker on it for intrastate markets where the bulk of this is being sold, why would you not oppose it intrastate if you are opposing it interstate, when such a small portion of the market would be interstate from these plants?

Dr. MAY. Well, we see no reason to impose another law when anyone who wishes to ship interstate has that option. It is available to them at any time. They could go to Federal inspection.

Senator BOREN. But it is an additional cost, and an additional regulatory problem for them to do that. We get accused in Congress very often of not being sympathetic to the needs of the small operation, even which has open access to our free enterprise system.

Why would you not be seeking to stop the use of the State stamp in intrastate if it is confusing and causing a lack of confidence?

Dr. MAY. Well, it is confined in those instances to a local area, and it is not moving into large areas and, you know, it may be a brand that is known. We had many small henhouses in the area of North Carolina that I live in. Those who wished to ship interstate—very small ones—are under Federal inspection. It does not impose a particular burden on them.

Senator BOREN. Has the council developed any statistics that would indicate that in the 27 States where you have State inspection and you have some sales of meat or poultry intrastate with a State sticker, that there has been any erosion in sales or confidence, anything that demonstrates statistically that having products within that State, some with a State sticker and some with Federal, is there any empirical statistical evidence that has been gathered to show that that causes a lack of consumer confidence in those 27 States?

Dr. MAY. No, sir, to my knowledge, we have not attempted to develop that sort of data.

Senator BOREN. We appreciate your taking the time to come and again I apologize, but we have been trying to move along so quickly. I know that other members of the committee would also be here if it were not for the fact that we have these things going on on the floor today that have taken them over there, and I know I extend my apologies on their behalf, too, because we do appreciate very much your taking the time to come and be with us today.

Dr. MAY. Thank you.

Senator BOREN. Let me announce, if the next panel is getting worried, we will be able to have you appear. I talked with the Senator who had lodged objections to our meeting past 12 o'clock when I was over for the vote, and he has withdrawn his objection. I talked to him personally, and he said he withdrew his objection. Can we get that verified?

All right. While we get it verified, we will unofficially continue and, then, since there has been an unofficial record taken, once we get that verified, then it can be made retroactively official. But I did speak to the Senator personally, and he told me that he had withdrawn his objection, so I think we will go ahead and try to make it legal retroactively, and continue with the testimony, and hopefully we will be able to confirm that.

Mr. Stephen Ritter, on behalf of the American Meat Institute is the next member of the panel.

STATEMENT OF STEPHEN RITTER, PRESIDENT, DOLD FOODS, INC., ON BEHALF OF THE AMERICAN MEAT INSTITUTE, ACCOMPANIED BY GARY JAY KUSHNER, VICE PRESIDENT AND GENERAL COUNSEL, AND JIM HODGES, DIRECTOR, SCIENTIFIC AFFAIRS

Mr. RITTER. Thank you, Mr. Chairman My name is Steve Ritter, and I am president of Dold Foods, Inc., out of Wichita, Kans. We are a ham and bacon processor, and a member of the American Meat Institute, referred to as the AMI. We are a federally inspected plant and have been for some time, establishment No. 214.

The AMI is the oldest national trade association representing packers and processors of meat and meat products, and approximately 70 percent of the 300 members of AMI are what would be termed small operations, with less than 100 employees.

Today I have with me from the AMI Gary Jay Kushner, who is vice president and general counsel, and Jim Hodges, who is director of scientific affairs, who will be available to answer questions, also.

We have submitted a written testimony, and I would like to just briefly review that.

Senator BOREN. That will be fine. Your full statement will appear in the record.[1]

Mr. RITTER. Thank you.

For over 77 years, the American Meat Institute has been proud to be part of the federally inspected program, and have felt that through quality control procedures and working hand in hand with the Federal Government, we have developed the highest quality, the safest, and the most wholesome meat supply in the world.

The interstate products are shipped under a single set of standards, and they have become a symbol of uniformity and wholesomeness. The inspection legend we are referring to in particular—that product produced under Federal standards.

We do not want to jeopardize the confidence of the consumer, and also we do not want to jeopardize the controlled balance of both industry and Government working together to create the consumer confidence necessary to maintain the integrity of the national meat supply.

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[1] See p. 73 for the prepared statement of Mr. Ritter.

This is why AMI opposes legislation which would permit interstate shipment of products not federally inspected. We do, however, support the concept and operation of a cooperative, coordinated State/Federal inspection program. We feel that the combined program is complementary, but different in purpose.

State programs are unique in that they provide a service to local factors in a locally unique situation, whereas the national program is designed to provide a program for shipment of products throughout the United States. Every plant under Federal inspection is required to meet the same regulations for construction, sanitation, labeling, inspection, and processing. State plants, as we have heard mentioned this morning, do have the opportunity to convert to Federal inspection and allow them access to interstate markets.

Until recently, USDA had opposed legislation such as we are discussing this morning. The States basically had had different standards, often less stringent, and there had been some question about the viability of the inspection programs in State areas. We are concerned that allowing interstate shipment of State-inspected product under such circumstances would erode the assurance of uniformity.

USDA has made this point earlier. As involves the equivalency of State versus Federal inspection programs, there has been a continuing controversy, and we have heard reference to the USDA review of State plants in 1979, and then its 1980 overview, which demonstrated that several plants were in the lowest compliance bracket.

It appears that the General Accounting Office is even more doubtful about the adequacies of the State inspection programs, and also USDA's evaluation of the State inspection program. GAO has pointed out discrepancies that existed in the State of Florida, and they have extended their audit of the USDA evaluation of State programs.

We also heard difficulties that existed in other States, such as in Vermont, where mismanagement of the program has been alleged, leading to resignations of several State officials. These overall inconsistencies in the State programs still are in question. With his bill before us, this should be especially troublesome.

Finally, we believe that the bill would result in increased burdens for Federal and State governments. The diffusion of responsibility between State and Federal control agencies would exist due to new responsibilities and costs to the USDA. They would be involved in monitoring the State program, and yet the States still have this responsibility along with being involved in the Federal domain.

In addition to the conceptual problems, we feel that the proposed legislation is unnecessary. There currently exists access to interstate markets in two ways. State plants do have the opportunity to convert to a Federal program, a Federal inspection program. Many people have mentioned the possibility of the high cost of converting from a State to the Federal program. In 1979, Dr. Houston testified; "We have found that, most plants, even the smallest, could meet Federal inspection requirements without undue costs or effort."

The second opportunity that the State-inspected plants have to gain access to the interstate shipment of products involves the Talmadge-Aiken Act, which allows Federal inspection carried out by State people. The USDA shares up to 50 percent of the costs, as I understand it, and then the States pick up the balance.

We need to explore and expand on the use of the Talmadge-Aiken Act before it is undercut by the bill before us today.

This bill, therefore, is conceptually flawed and not necessary. However, if it is pursued, we suggest that there be changes and amendments to the bill so that it may be improved upon.

First of all, the Federal plants should be able to revert to State inspection just as rapidly as State plants are allowed access to the interstate markets. Second, to insure continued equivalency of State and Federal plants, we feel it is necessary to require States to respond as quickly as Federal changes are implemented and promulgated by the USDA and adopt comparable changes. Third, the bill should require more frequent audits by the USDA of the State programs.

AMI contends that Congress intended to create a dual inspection system, both State and Federal, and that they were separate and distinct in their purposes. They are both designed to insure the wholesomeness of the meat supply and to maintain consumer confidence. We feel that it is imperative and necessary that we keep the program as it exists.

The proposed legislation would weaken the currently effective Federal/State cooperative program. Fundamentally, interstate shipment of nonfederally inspected meat products would threaten the system and, more importantly, the integrity of the national meat supply.

We urge the committee to abandon this idea.

Thank you for the opportunity to present our issues.

Senator **Boren**. Thank you, Mr. Ritter.

We can now retroactively make the transcript official. We have official clarification now that we can continue to meet.

I know you are speaking for the institute. Is the membership of the institute unanimously opposed to this legislation, or is it a majority position?

Mr. **Ritter**. To the best of my knowledtge, they are unanimously opposed.

Senator **Boren**. The membership is unanimously opposed?

Mr. **Ritter**. I understand the vote was something like 60 to 1 by the board of directors when it was considered.

Senator **Boren**. Sixty to one by the board.

Let me ask the same question that I asked just a moment ago of Dr. May in terms of the confidence factor. Is there any empirical evidence that the institute has developed, or statistical evidence, on produced sales within the 27 States that have the dual system? Because, after all, the consumers in those States are now in a market where there are State-inspected products alongside USDA inspected on the supermarket shelf. Has there been any statistical empirical evidence that indicates reduced sales in those States?

Mr. **Ritter**. I would defer to Mr. Kushner. He may know. I don't have that information.

Mr. **Kushner**. Mr. Chairman, we don't have such empirical evidence, because we really haven't been faced with the question. I don't think the question is whether or not consumer confidence is threatened in a particular State where that State's inspection legend is beside the USDA inspection legend. I think the question is what will the effect be on consumer confidence when the inspection legend of one State appears in a neighboring State, or a State 3,000 miles away.

Right now, the intrastate, the State inspection program, with the aid of USDA, can operate quite effectively in controlling the products within its borders. When you move that product across State lines, the question of responsibility for monitoring that product, the level of monitoring, and the overall burdens of monitoring become far less clear. It is no longer an item restricted to one State controlling the products produced in that State that appear on that State's retail shelves. It is now a question of who controls, who monitors, who supervises the product that has been shipped from State A to State Y, perhaps having gone through several States in between.

So the short answer to your question is, no, we don't have that evidence, because we haven't had to look at that question yet.

Senator **Boren**. On the question of conversion, you mentioned that you might favor a proposal to allow federally inspected to convert back to State inspected. If the federally inspected is less expensive, and we are dealing with a situation—the bill, as you know, does not apply to foreign shipments, overseas shipments, which would still require Federal inspection to be eligible for international sales—and they could ship overseas with the Federal, what would motivate them to change back to a State-inspected plant?

Mr. **Ritter**. Dr. Houston testified that there would be no undue costs, and it would be an easy conversion. I think all we are asking for is equality and uniformity, and if the States are allowed access to interstate markets through State inspection, those of us that are federally inspected would like to have that same opportunity.

Senator **Boren**. So it is a matter of philosophy rather than your feeling that there would be some sort of massive shift that would take place?

Mr. **Ritter**. I think it is indicative of the wavering of the thought, for example by USDA, and the inconsistency in the whole concept.

Senator **Boren**. Is there a feeling that market shares between the larger packing plants and the small ones will shift to any large degree if we allow this to happen?

Mr. **Ritter**. I don't think, as I speak from my own situation, I don't feel any tremendous pressure from a competitive standpoint. I am more concerned about the uniformity and the confidence of the consumer.

We have talked about the State-inspected plants being basically a very small portion of the total meat supply. So I don't think that I am particuarly concerned, and I don't think the AMI is concerned about that from the competitive standpoint.

Senator **Boren**. Let me ask this question. If we were just going to say, "Let's just not have a Federal program any more, let's allow State inspection without this requirement that it be of equal to or more stringent as a total program than the Federal." Assume that provision wasn't in the bill. I could agree with you if we reverted back to where we were 50 or 60 or 70 years ago where we just had all these State inspections, some adequate and some totally inadequate.

You cited, I believe, the examples of Vermont and Florida, where the USDA stepped in and they said the State program was not working, there were resignations forced, there were, at least on a temporary basis, Federal operations within those States, and suspension of the State operations temporarily. It seems to me that this is going along pretty well. There is USDA supervision of the State program, which you would want, because again, if you had a situation in State X where the State government was not doing the job, it could undermine consumer confidence, within that State, at least, to have a poor State inspection program and have their products out on the shelf within that State.

Why wouldn't this be likely, if anything, to improve the vast volume of the poultry or the meat? Let's take the State of Oklahoma. The vast majority of what is being produced by the State-inspected plants is still going to be sold in Oklahoma, the vast majority of it. Some of it, a little of it, might go on into interstate sales that is now not possible, but why wouldn't that make the USDA even more likely to be very careful about the operation of these State programs if they are also moving interstate, and give the consumers in Oklahoma even more confidence that USDA was looking at the State program even more carefully to make sure that the meat and poultry on the shelf had been carefully looked at?

Mr. **Ritter**. I think that may increase the confidence in the State of Oklahoma, but what about the question of the Oklahoma product being shipped into Kansas; for example, or to California?

We are concerned about the confidence of the consumer nationally, and not just within one State. That may increase the confidence in your own State, but it may not increase the confidence in the State of California. They see a different legend, a different label, and I think the natural reaction of the consumer is, "What are they doing to me?"

I think we have had a tremendous problem within the meat industry generally over the last 4 or 5 years in confidence—things such as the nitrite issue and things of this nature—and the constant battering by people like Nader and the others that have created problems for the meat industry in general, are totally unwarranted, and we don't need any more of that.

Senator **Boren**. Well, of course, I totally sympathize with you about the problem of those who in several cases have rather irresponsibly frightened consumers about our products. Having grown up in a household that the head of the household had a bumper sticker on the back of his car, "Eat Beef for Health," that gives you an indication of my own personal background, and my own concern about this kind of thing, and I understand why you are very sensitive to anything which might impact consumer confidence. I am not quite sure that I agree. I think the fears may not be well founded in this case because of the great strides.

I think the difference in Mr. Houston's testimony from 1979 to now indicates the strides the States have made, and also, if we had the kind of commitment from USDA to make sure the States continued to comply with those standards, I am not at all sure that it would erode the confidence.

But I understand where you are coming from, and I understand the sensitivity, and I think certainly that you are appropriately concerned that we try to maintain consumer confidence, and—yes?

Mr. **Kushner**. Mr. Chairman, if I can add one point in further response to your question about confidence within the State and, perhaps, the increased confidence that you suggest would arise because USDA would be focusing more on the States. It is important to remember several things in this regard.

First, in Florida, for example, and in several other States where questions have been raised about the adequacy of the State program, and indeed in the numerous States that USDA itself found fell in the lowest category of compliance, for the most part USDA did not take over those State programs, but left them in existence. Even on followup reviews, USDA still found a significant number of those States to be below par.

In addition, the General Accounting Office, in reviewing USDA efforts in evaluation of its own audits, has identified a number of inadequacies in State programs.

Finally, there is no evidence that USDA would focus more resources upon making States comply, or designating for Federal inspection those States that do not comply At the very least, the committee has to hear some commitment from USDA, in that regard, before moving forward.

Senator **Boren**. Has the institute taken a position that pushing the USDA in the past to be stronger in terms of their review of State programs, or have you urged them to take action of dedesignation? Has the institute intervened in any of these actions with the Department?

Mr. **Kushner**. Not to my knowledge, Mr. Chairman.

Senator **Boren**. Does the institute have members that are State inspected only, as opposed to Federal inspection?

Mr. **Kushner**. Yes, we do. I do not know exactly how many of those plants we have within AMI, but certainly we do have members that are State-inspected plants.

Senator **Boren**. Thank you.

We will move on now to Mr. Jones, the vice president of Webber Farms, Inc., testifying on behalf of the Kentucky Meat Processors Association.

We are happy to have you with us today.

STATEMENT OF EDWARD A. JONES, VICE PRESIDENT, OPERATIONS, WEBBER FARMS, INC., ON BEHALF OF THE KENTUCKY MEAT PROCESSORS ASSOCIATION

Mr. **Jones**. Thank you, Mr. Chairman. My name is Ed Jones, and I am vice president of operations for Webber Farms, Inc. Webber Farms, located in Cynthia, Ky., is a meatpacking company involved in slaughtering hogs and manufacturing fresh sausage and other processed products for distribution in several States. I am here to speak on behalf of the Kentucky Meat Processors Association, of which Webber Farms is a member. I also serve on its board of directors. The Kentucky Meat Processors Association represents meatpackers and processors in the State of Kentucky.

The Kentucky Meat Processors Association opposes the interstate shipment of meat that has not been subjected to Federal inspection. We believe that to permit shipment across State lines of meat that has been inspected by State officials and does not have to satisfy the strict Federal requirements jeopardizes the hard-earned reputation of our products and threatens the continued viability of the uniform national inspection program. Since State plants wishing to ship interstate can readily convert to Federal inspection, this bill is not necessary.

When Congress enacted the Federal Meat Inspection Act in 1906, it sought to establish a uniform system of Federal inspection for the meatpacking industry. Under this system, meat products entering interstate commerce are regulated by a strict set of national standards that guarantee the consistent wholesomeness of products that consumers all over the country purchase. The Federal inspection legend has become a symbol of product uniformity and wholesomeness. It kindles public confidence in the Nation's meat supply.

When Congress decided to extend Federal guidelines, to the States with the passage of the Wholesome Meat Act of 1967, its goal was to provide Federal aid to the States so that a cooperative Federal-State inspection program, strenghtening and improving State meat inspection efforts, could be established. Congress did this to help upgrade the State programs so that they could effectively perform the local functions for which they exist, not to supplant the Federal inspection program.

The Kentucky Meat Processors Association endorses the maintenance of a cooperative Federal-State inspection program. This enables the Federal Government to concentrate its resources on the national market. It also insures that local packers and processors can continue to be confident that the intrastate markets they serve are free of unwholesome products.

I am not suggesting that many of the State inspection programs in existence today are not good programs. I am in no position to draw such a general conclusion. What I am suggesting, however, and what we truly believe, is that many of the State programs simply are not "equal to" the uniform Federal inspection system in terms of their ability to insure consistent compliance with a uniform set of sanitation, labeling, construction, inspection and processing standards that must be met for products that are to be shipped throughout the United States, and not only within clearly marked State boundaries.

We are not alone in this assessment. USDA's own reviews of various State inspection programs in the last few years have raised doubts about the effectiveness of these programs. Moreover, I understand that the General Accounting Office is in the middle of a broad-scale investigation of the State inspection programs because of inadequacies that have been uncovered.

The point that I hope this committee will appreciate as it considers the proposed legislation is that all of us in the meat business must work together to insure that American consumers have faith in our industry, and are confident that the products they purchase satisfy the highest standards of quality, wholesomeness and safety.

We believe that the stamp of Federal inspection stands for this uniformity.

It is not as though plants currently under State inspection which desire to ship their products across State lines are being denied this opportunity. A plant can convert to Federal inspection and ship its products anywhere it wants. All that it has to do is satisfy the Federal rules.

We do not think that this is too much to ask. In this regard, while Kentucky does not now have a State inspection program, we once did. When our State abandoned its program, Kentucky plants had to convert to Federal inspection. We were able to adapt.

To say that conversion to Federal inspection is too costly or too burdensome for most plants is just not accurate. As USDA testified in 1979 in a hearing in opposition to a bill almost identical to that which is the subject of today's hearing: "(We) have found that most plants, even the smallest, can meet Federal inspection requirements without undue cost or effort."

Mr. Chairman, as a packer myself, and the representative of a State level association of meatpackers and processors, I fully support efforts to provide plants with as much flexibility as possible in the shipment of their products. I also abhor artificial barriers to market access.

But, as a businessman, I have to be sensitive to whatever concerns my customers might reasonably have about the quality and wholesomeness of the products I sell. These have not been easy times for meat companies. We are trying very hard to maintain the trust and confidence that American consumers have in the Nation's meat supply.

The uniformity provided by Federal inspection helps make that possible. Now is not the time for Congress to take an action that might shake that confidence just so that Federal bureaucracy might be avoided—especially when plants desiring to ship interstate already have that option.

Thank you for giving me this opportunity to participate in this hearing today.

Senator BOREN. Thank you, Mr. Jones. The ranking member of the committee asked that I convey his regrets that he could not be here while you were testifying. He had another commitment going on on another piece of legislation today.

Mr. JONES. Thank you.

Senator BOREN. I appreciate all the members of the panel being here.

We will now move to our last panel of Merrill Clouse, Clouse Frozen Foods, Inc., Hope, Ind., representing the American Association of Meat Processors; Byron Hetherington, Duty Packers, Hobart, Okla.; Dr. Paul Doby, director, State meat inspection program, State of Illinois; Dale Turnmire, who has already been introduced by Senator Jepsen, of the Iowa Meat Processors Association; and Bill Bates, of the Bates Turkey Farm of Fort Deposit, Ala.

We are very glad to have all of you present with us today, and let me say also, again, just to conserve time, if you would like to summarize your statements, just hit the highlights, having heard the testimony of those who have gone before, you may just want to verbally summarize in an informal way what you have today, and we will put your full statements in the record, because as you see, the other members of the committee will be reading your testimony from the record, and I think I can follow it if you just want to hit the high points and go over some of the issues that have been raised.

We will take the full statements and put them into the record.

We will start with you, Mr. Clouse. I understand you are representing the American Association of Meat Processors. We will have your statement at this time. We are glad to have you here.

STATEMENT OF MERRILL J. CLOUSE, CLOUSE FROZEN FOODS CENTER, INC., HOPE, IND., REPRESENTING THE AMERICAN ASSOCIATION OF MEAT PROCESSORS, THE INDIANA MEAT PACKERS AND PROCESSORS ASSOCIATION, AND THE MEAT AND POULTRY ASSOCIATION OF HAWAII

Mr. **Clouse**. Thank you. Mr. Chairman, in a way, I would like to clarify that we represent truly small business, who on the average employ fewer than 10 persons. We do not consider a meat business with 100 employees a small business.

The American Association of Meat Processors conducted a survey; 89 percent of this survey—and there were 744 plants surveyed—89 percent of them have fewer than 20 employees, so we are strictly talking about small business.

I am representing the American Association of Meat Processors, and by the way, Mr. Chairman, I can read faster than I can summarize.

Senator **Boren**. You go right ahead, whatever you feel comfortable with.

Mr. **Clouse**. It is very short.

Senator **Boren**. That is the case with many Senators, I find. [Laughter.]

Mr. **Clouse**. I am representing the American Association of Meat Processors, the Indiana Meat Packers and Processors Association, the Meat and Poultry Association of Hawaii and myself today. I am also submitting more extensive written testimony on behalf of the American Association of Meat Processors, and for the Meat and Poultry Association of Hawaii and ask that these position papers be included as part of the official hearing record.[1]

Senator **Boren**. They will be.

Mr. **Clouse**. I am also accompanied today by three members of AAMP, the American Association of Meat Processors, Norris Crouch, who is president, project director, Joan Donnelly, and executive secretary, Steve Krutt.

I am Merrill Clouse, president of a family-owned corporation. We, my wife, my son, and I, operate Clouse's Food Center, Inc., in Hope, Ind., in Bartholomew County, located in the south central Indiana, approximately 50 miles south of Indianapolis, population, 2,000, a bedroom-type community. We are in our 37th year of business, having opened in January of 1946.

Our customers and consumers of our products have never questioned the wholesomeness of our State-inspected meats. We are engaged in slaughtering, curing, processing of meats, including beef, pork, and lamb. We are under State inspection, being one of the first in southern Indiana to be placed under inspection by our State following passage of the Wholesome Meat Act.

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[1] See p. 82 for the position paper submitted by Mr. Clouse.

We were proud to be a plant under State inspection for two reasons: First, we wanted to channel fresh-slaughtered inspected meats into our retail meat department of our IGA market, which adjoins our slaughtering and processing operation. Second, we wanted our customers to have the benefit of wholesome State-inspected product that was equal to federally inspected meats. We believe we are typical of the over 1,400 meat plant members of the American Association of Meat Processors.

Our relationship with the State inspection program has been excellent. Our inspection records prove that. Our reviews by the Federal inspection staff have always been good, with better than passing marks. The problem that is before us today as a business is the sad fact that in our departments of slaughtering and processing of meats, we have lost money in the past 2 years.

Some of this problem can be attributed to fewer small farms. Therefore, there is less potential in the slaughtering business. However, 2 years ago, we were slaughtering and processing pork for the Church of the Latter Day Saints, more commonly known as the Mormons, whose headquarters are in Salt Lake City.

This church does not believe in welfare or food stamps. They take care of their own through regional warehouses throughout the Nation. We are supplying—we were supplying—the regional warehouse in Indianapolis. These regional warehouses transferred product, whether it be meat, flour, or canned goods, and so forth, between storehouses as the need arises, because all parts of our country do not produce the variety needed in one location. Some of the meat processed by us for the Indiana storehouse turned up in California and was noticed by a Federal inspector.

Immediately, the headquarters in Salt Lake called a halt to our processing for them because they are a law-abiding organization. The Mormons thought that because the product was wholesome and was a gift—not a product for retail or wholesale commerce—that they could move the product whenever they had need for it at another location. This proved false. We lost the business and they went to a federally inspected plant. Now, this Federal facility that was processing for them has closed.

Three weeks ago, we had in our plant a Mr. Michael Manning from Salt Lake City, Mr. Larry Crenshaw from the Indianapolis storehouse, and Mr. Ernest Lykins, the local pork producer for them, wanting to know the likelihood of our going to Federal inspection so we could process for them again. They expect to slaughter between 800 and 900 head of hogs in the next year. With this business, we could call back 22 percent of our work force that we laid off when we lost the Mormon account.

The next day, we had a Federal review by Dr. Cutler of the Federal Inspection Service. We explained the situation to him and he promptly gave us an application form for us to apply for Federal inspection. To apply for full Federal inspection, we need to update blueprints, which we have done, and get an application, which we do have, to apply to the USDA for approval.

According to present laws and regulations, the Talmage-Aiken program could be used by the USDA to provide Federal stamps on our product with the inspection provided by USDA certified State inspection personnel that we now have.

However, although we have requested to be placed in the Talmage-Aiken program, this is not our option. If the USDA decides, for one reason or another, to provide a Federal inspector from their program rather than a USDA-certified State inspector, we will have no choice in the matter. We will be forced to deal with the Federal bureaucracy that reaches from Indiana all the way to Washington, D.C.

If the USDA would choose to allow us to go the Talmage-Aiken route, if a problem should arise we are 1 hour from Indianapolis, and 1 minute by phone from the information that we need to alleviate the situation.

This Senate bill 593 which you are considering, if passed, would alleviate the problems which have appeared not only in Hope, Ind., but all over the Nation. The Mormon Church and others desiring to do so could move these meat products across State lines without fear of breaking the law.

These products are State inspected and State inspection must be equal to Federal or it cannot exist by law. We are presently processing about 25 hogs and eight cattle a month for the Indiana Masonic Home, a home for the aged and orphans located in Franklin, Ind. But, because of the present laws and regulations, we cannot process for a church that wants to take the finished State-inspected meat product, which is equal to the Federal, across a State line and give it away.

I am sure you gentlemen would like to see a balanced Federal budget. In my business, I must have a balanced budget. Our business must, and will, succeed. We have just invested in a solar hot water system to cut energy costs for our slaughtering operation. So we have not given up.

But life would be so much simpler for many of my fellow operators in this great Nation if you gentlemen would see fit to lend your support to S. 593.

Thank you. And I have another small statement that I would like to make verbally, due to some testimony that has gone on before me. I would like to point out that in one particular case, in Illinois and Indiana, just across the State line, about 7 miles apart, we have a Federal plant slaughtering 4,000 hogs a day. This plant has three Federal inspectors.

On the Indiana side, we have a State inspection program in a plant that kills approximately 25 hogs a day. They have two inspectors. Now, when the gentlemen asked you if one person could diagnose a sick animal, well certainly two men on 25 hogs have a much better chance than three men on 4,000.

Senator Boren. You are saying in this case in the example you have cited, that the State inspection program is actually superior in this case, at least in terms of individual attention, to the Federal program.

Mr. Clouse. Yes, sir. I would also like to point out, they were talking about adulterated meat might be going across the State line. I would like to point out the fact that the major meat scandals that we have had, and we had some in recent months, it was not a State-inspected product, or State inspection that permitted kangaroo meat to be passed around through, I believe, California, labeled as beef, which came under Federal inspection.

Salmonella in roast beef has been hitting the headlines in the last few days, and that was a federally inspected place. Diseased meat in Pennsylvania has been in the headlines. This was Federal, also.

Maryland, the State program helped in prosecuting in one of these cases.

Senator BOREN. I appreciate your having the audacity to point out that sometimes people at the local level can do things even as well or better than those that come down through the Federal operation.

You noted that you started considering conversion. You seemed divided. I suppose there would be some costs involved in such things as updating blueprints and so on, but you seem to feel the biggest thing to keep you from wanting to do that was being able to have a system now in which you can get a quick response time, it is close to you, adequately staffed, and so on, and you might not be able to have that kind of quick response——

Mr. CLOUSE. This is true.

Senator BOREN [continuing]. From the Federal side.

Mr. CLOUSE. I might add that before I flew out here, I received the information that we will not get that contract because they didn't want us to go Federal and go through all this and then some day they might want to move away from us. They didn't want to be obligated.

Senator BOREN. I see. Do you have any idea what kind of costs it would be ultimately for you to make that kind of conversion, not counting your day-to-day problems of down time and other things if you couldn't get quick answers.

Mr. CLOUSE. I think we would be fortunate. I believe that our plant facilities would qualify, according to Dr. Cutler, the Federal review man. We have possibly maybe $2,000 of work to do on the slaughter floor to put a ceiling in.

Senator BOREN. Yes.

Mr. CLOUSE. We have an open joist right now, and the Federal requires a ceiled slaughter floor.

Senator BOREN. For some people the cost could be rather large, though, if they had to make some structural modifications that wouldn't necessarily be health related, but would be related to meeting design standards. Is it not possible that it could be several thousand dollars in some cases?

Mr. CLOUSE. True. A lot of us would be grandfathered, of course.

Senator BOREN. Right.

Mr. CLOUSE. As they were before. We have some 4-foot doors that are not proper. They are supposed to be 5 foot. We have them covered with stainless steel to prevent contamination, so we would be in pretty good shape. A lot of them are not.

Senator BOREN. Right.

Thank you very much.

Ms. DONNELLY. Senator Boren?

Senator BOREN. Yes.

Ms. **Donnelly**. Joanne Donnelly, of the American Meat Processors. We would like to quickly clarify three points that have been made here this morning.

First, with regard to the problem in the State of Vermont, USDA has not taken control of that State. The three USDA people who are in position in that State are there because the Governor of Vermont wanted to be able to place experienced people in those positions while they went through the process of hiring people.

It was at their request. They are now currently, for 90 days, operating as part of the Vermont program.

Second of all, the current GAO study was not precipitated by their belief that there was anything further wrong with the State programs. The survey is being conducted at the specific request of Senators Chiles and Eagleton.

Third, when we deal with national consumer confidence, we have members in the States of Oklahoma, Iowa, Wisconsin, who operate resort areas, who deal with out-of-state customers all the time. These people are continually returning to their home States, and writing letters to our members asking that their products be shipped.

One member in Wisconsin, Lodi Locker, received national notice in a nationally syndicated column for his excellent summer sausage. He turned down over 2,000 pounds worth of product sales to out-of-state people who wanted that product, even though that it was indicated that it was Wisconsin State inspected. We do not believe consumer confidence is an issue.

In 27 States currently, we have State-inspected products lying in local supermarkets with the State inspection shield right next to Federal-inspected products, and all of it is being sold.

Thank you.

Senator **Boren**. Thank you very much. That is the point that I was making earlier in questions. I just could not see any empirical evidence at this point in having the two side by side in the supermarket keeps the people from having confidence. Obviously, a lot of local brands have become well known, and very, very popular that are State inspected.

Next is Mr. Byron Hetherington, of Duty Packers, in Hobart, Okla. I don't need a geography lesson to know where that fine community is located.

He has been in business for some 36 years in that community, and I think, Byron, you are also representing the Oklahoma/Texas Meat Processors Association, if I am correct.

We are very, very happy to have you here.

STATEMENT OF BYRON HETHERINGTON, DUTY PACKERS, HOBART, OKLA., REPRESENTING THE OKLAHOMA/TEXAS MEAT PROCESSORS ASSOCIATION

Mr. **Hetherington**. Thank you, Senator Boren. It is great what you have done for us today.

My name is Byron Hetherington of Duty Packers in Hobart, Okla. I am representing the Oklahoma/Texas Meat Processors Association. We have 150 member plants with approximately 1,600 employees.

I would like to summarize my comments on Senate bill 593. I am also submitting a written statement which I ask to be included in the official hearing record.[1]

The interstate shipment of meat products for State-inspected plants is crucial to the survival of small, family-operated processing plants.

Custom processing of beef and pork for farmers and ranchers is the primary reason that small plants came into existence. There are over 300 such plants in Oklahoma. It is a seasonal business with little profit potential due to the decline in farm population over the years. In order to maintain a constant work force, small processing plants have expanded into other markets to supplement their operations.

The current law penalizes State-inspected facilities by limiting our sales area, which in turn limits our clientele. This limitation directly affects our plant in three major areas.

One. The present marketing system for food items consists of one primary warehouse distributor in a given geographical area, which may include more than one State. Under the current system, major marketing distributors are very reluctant to stock State-inspected products due to interstate shipment limitations. Potential sales to chain food stores, and fast food restaurants, are lost.

Two, our present sales area includes the southwest corner of Oklahoma. By extending our sales territory only 30 miles, we would have access to small Texas towns bordering Oklahoma. For us, this is more economically feasible than trying to reach the more populated areas of Oklahoma City, an extension of 80 miles, or Tulsa, an extension of 210 miles.

Three, in 1982, we purchased $38,520 of meat products from Harris Packing Co., a federally inspected plant, to be further processed and sold. Although this meat was purchased from a federally inspected plant and processed in a State-inspected plant, it cannot be sold across State lines. Is this equal treatment under the law?

The agricultural community is interrelated. Not only would S. 593 be beneficial to small processing plants, it would indirectly aid the farmer-rancher in Oklahoma, or wherever.

The local beef feedlots, hog raisers and area livestock auctions are our major raw material suppliers. In 1982, Duty Packers purchased 3,310 head of livestock worth $1,294,353. Although we play only a small part as one livestock purchaser, combined with small processing industry is a positive factor to the livestock producers. Each time one processor or slaughter plant is eliminated, we as a nation have one less bidder for the producer's livestock. As the bidders are reduced, livestock prices are lowered and once more it again becomes "kick the farmer time."

The farmer needs the small meat processor as an alternate market, as a positive factor. The small meat processor needs access to an unrestricted market which would mean the difference between growth and slow deterioration.

We believe 100 percent in the State's right to handle meat inspection and feel Oklahoma has an excellent program. In 1967 my grandfather, Byron Dacus, who was a State senator for 26 years, authored the bill for meat inspection in Oklahoma.

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[1] See p. 104, for the prepared statement of Mr. Hetherington.

This month, we made our last payment on a Small Business Administration loan that was initiated to upgrade our building and purchase new equipment. We have spent over $240,000 for this purpose since the Wholesome Meat Act of 1967.

Duty Packers wants to keep State inspection. To meet Federal inspection requirements for rail height in our coolers, the present roof would have to be removed and raised. An alternative would be to quarter rather than half our beef. However, this method cuts cooler space in half, which would require new coolers. Both methods are cost prohibitive for our business.

Our meat products have been highly acceptable to the general public—small independent grocery stores, restaurants and public institutions—for 36 years. We are not asking for a handout. We only ask for the opportunity to use our God-given ability to produce a clean, wholesome product acceptable to the American consumer and not limited to distribution in only one State.

S. 593 is the most positive piece of legislation for the small, independent meat industry since the passage of the Wholesome Meat Act.

Thank you, Senator.

Senator BOREN. Thank you very much. It brought back some memories as you were talking. I had the privilege of serving with Byron Dacus, Senator Dacus, of course. The first year I served in the legislature was 1967, and I had the privilege of voting for the State law in my first year in the—as a member of the State house of representatives.

You talked about the possible conversion costs. Again, I guess you are talking about it in terms of structural changes and other processing changes you would have to make, a potential several thousand dollars in additional costs to go under the Federal inspection.

Mr. HETHERINGTON. Yes, sir, and since 1967 we have already spent an awful lot of money and in effect what we are saying is that the upgrading of our facility is really of no value. We can't move our product interstate.

Senator BOREN. In terms of access and in terms of time, as Mr. Clouse has talked about, access to the State officials inspection and getting a quick answer, would there be a significant difference in terms of access to Federal personnel in your opinion.

Mr. HETHERINGTON. We think so, sir. We would very much rather stay with State inspection. We have excellent relations and we can get a quick response, we can find our personnel quickly, and we would just love to see it stay.

Senator BOREN. If we were able to bring to Texas the benefit of this fine Oklahoma beef product, into those communities that you discussed across the border, do you have any idea of how much that would enable you to increase your production there, and how many more cattle you would be able to buy? Are you talking about potential expansion from your own market analysis of 10, 20, or 30 percent? How much would that be?

Mr. HETHERINGTON. I think it can increase our business, sir, by 25 percent. The main thing is, it would at least enable us to stay where we are now. We do not want to lose the employees that we have, and we have 28. We don't want to reduce it like Mr. Clouse did.

Senator **Boren**. You have 28 employees there?

Mr. **Hetherington**. Yes, sir.

Senator **Boren**. Which is a very significant industry in a community that size. What is the impact on the local market in terms of the purchaser?

Mr. **Hetherington**. That is most important to the purchaser, sir.

Senator **Boren**. I appreciate your testimony very much. I think you have given a very helpful example to us. Thank you for taking the time to come up and appear before the committee.

Mr. **Hetherington**. Thank you, sir.

Senator **Boren**. We will move on now to Dr. Paul Doby of the Illinois Department of Agriculture. Again, I want to convey to you Senator Dixon's compliments and his regret at not being able to be here. He is in a meeting before the Banking and Small Business Committee now, which is continuing on. Otherwise, Senator Dixon said he would have been here, and he asked me to welcome you for him.

STATEMENT OF DR. PAUL B. DOBY, DIRECTOR, STATE MEAT INSPECTION PROGRAM, ILLINOIS DEPARTMENT OF AGRICULTURE

Dr. **Doby**. Thank you, Mr. Chairman.

I will summarize and add some additional comments that have come to my attention from the comments that have been made today.[1]

I, too, say that the State meat inspection program in 1967 did not deserve to be permitted interstate movement. I became involved with the program in July 1967, just before the enactment of the Wholesome Meat Act, but that is 16 years ago, and I am fully convinced that the programs are at least equal.

There have been several citings of individual State's where there have been problems. I say deal with those individual State's problems. Don't penalize those of us who have a program that is at least equal in some areas, and superior to the Federal Government in others.

When we cite problems with a State, I remind you as a previous panelist just mentioned, that there are some problems with Federal inspection. I am convinced that the meat inspection program conducted by the U.S. Department of Agriculture is the best meat inspection in the world, but it still will have problems, and I am certain that the Austrailian meat inspection is a good program, too, but they still ship kangaroo meat here.

So we will always have some problems. If we wait until we don't have problems with any State, then we probably won't have any State inspection programs, and that is one of the things that I want to speak to—it has been mentioned several times today—of the ease with which you might go from State to Federal inspection to gain the movement.

Senator **Boren**. Yes.

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[1] See p. 105 for the prepared statement of Dr. Doby.

Dr. **Doby**. There are two methods that you can obtain Federal inspection through. One is to request grant of inspection as a State plant under the State program, a grant of Federal inspection. That is one method.

The other is to designate the entire State and all plants going to the Federal inspection. In talking to the U.S. Department of Agriculture people, they will confirm, Mr. Chairman, I believe, that it is much easier for a plant to go under Federal inspection when the entire State is designated, because everybody is grandfathered in.

Senator **Boren**. Grandfathered, yes. If you have the individual, then you have the building problems and so on.

Dr. **Doby**. Yes, sir, so that is why the States that don't have Federal inspection—I mean don't have State programs—I am sure why they don't want this to come in is because they are not concerned whether we maintain State inspection. Everyone is saying, "We want to maintain strong State programs," and if you have been involved with maintaining State programs, you know that isn't easy. We have saved the program with just a matter of designation by the Governor's office. They said, "We are going to turn the Illinois program over to USDA," and that was the easy way to save the State of Illinois about $2 million. We survived each time.

Now, if we don't pass this legislation, that is one small aspect that is against us. If the State programs can move interstate, that is one little thing that gives strength to State programs, an added little point of strength. Now, I am not going to say that if you do not pass this bill that the Illinois program will be lost, but that is just one point that adds strength to maintain the State programs, and everybody says he wants to maintain the State programs.

The possibility of Federal plants moving to State, I don't believe that is going to occur, because by human nature we are all resistant to change, and it would be a drastic change for a Federal plant to request State inspection. That would be a drastic change, because they know the Federal people, and they don't know the State people.

I am convinced that if this would occur, the State would enact legislation to prohibit this, because those of us operating State programs, we could have Swift & Co. come under us, or any of these large companies. Because we don't have the finances to handle the 50 percent of the program, we would lose the entire program.

The State programs are designed for small operations. The Federal programs are designed for large operations. In this way, they fit an important aspect in our total meat inspection program in this country.

Enacting this bill is not going to make a great change in permitting State meat to move interstate, because most of the plants are small. They will only be moving across the lines to neighboring States. It is not going to cause a new bunch of large plants to come under State inspection. It is just going to help a few of these along the border, and some areas like that.

So, it is just going to help maintain the programs as we have them now.

In closing, Mr. Chairman, I would like to say one thing that I would ask you to consider. There is a philosophical reason for the enactment of S. 593. The Wholesome Meat Act of 1967 stated that

State meat inspection programs must be at least equal to Federal inspection. We are equal. Why do we have to continue to be treated as poor relatives?

Thank you, sir.

Senator **Boren**. Thank you very much. I think those are excellent remarks, and you really focused in on some of the major issues that the committee is going to have to confront, and have done so in a very effective manner.

I think the point, also, that has not been raised before, is that in this time of tight budgets where State Governors, and I know from going through that process year by year, put a sharp eye and a pencil to the page any place they can save a dollar when trying to get those budgets under control, and many of our States have very severe financial problems that, inadvertently, by continuing to deny the interstate shipment of State-inspected-meat products, we could be encouraging some of the States to drop their programs, and we could really see this begin to happen, particularly in the kinds of times we are in now with State budgets.

I appreciate your testimony.

We will go now to Dale Turnmire, who has been introduced previously by Senator Jepsen. Mr. Turnmire is executive secretary of the Iowa Meat Processors Association.

We are happy that you are here.

STATEMENT OF DALE TURNMIRE, EXECUTIVE SECRETARY, IOWA MEAT PROCESSORS ASSOCIATION

Mr. **Turnmire**. Thank you, Senator, and thank you for the opportunity of appearing today. I have already submitted a written statement, a prepared statement,[1] addressing identical laws and regulations, evaluation and certification of State programs by the USDA, the economics of maintaining the State program, facility requirements, inspection legend, and the present system is prohibiting the growth of small livestock producers.

Small meat processors who are addressing you today and who seek your support in passage of this legislation are not the same processors that were addressing the Wholesome Meat Act that was passed in 1967. At that time, we operated under a hodgepodge of State laws, in some instances no State laws at all, and certainly without uniform regulations.

Today, we have had those 27 States with identical laws adopted word for word, adopted word for word, regulation by regulation of the Wholesome Meat Act of 1967, which is being administered to the large packers in interstate commerce by the USDA, and in 23 States and nationwide where the Federal Government controls them.

The 27 States where the States administer the programs, we now have federally approved uniform labeling standards, plus a uniform approved meat and nonmeat ingredients, and we have identified 83 million pounds of meat yearly coming from federally approved packing plants into our plants. I am sure that this is but a small amount of the total percentage being used in our small State-inspected plants. Our equipment and cleaning materials must be federally approved, a list of the materials, uniform trichinosis control, controlled temperatures required by Federal guidelines.

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[1] See p. 90, for the prepared statement of Mr. Turnmire.

Every piece of meat entering into intrastate commerce from a State inspected official establishment must come under inspection. I cannot say the same for the poultry industry, which allows 20,000 birds, which in the case of the turkeys could amount to half a million pounds, to be processed and sold without inspection, if a processor has a vested interest in a live flock.

This same industry which is opposing this bill has exemptions not granted to our industry and which we do not seek, but they are more than happy to see the red meat industry and small meat processors be strangled by the legislation as it now exists.

I have been asked repeatedly, "Why the opposition to this bill by the major packers?" We are one of their prime markets. The passage of this bill could do nothing but expand that market. Personally, I don't believe their marketing people have done their homework. The general attitude of the large packers seems to be, when it comes to legislation, "If it ain't broke, don't fix it."

However, when the United States proposes to promulgate a new rule or regulation and they know we will be affected to maintain our equal to status, they want our support even though the proposal may have minimal effect upon the small meat processors.

We in Iowa support their efforts to effect better inspection and regulation of imported meat. We find it a sad commentary that we must support them in this matter and meet standards of the USDA, as they do, and not be given the same marketing privileges in interstate commerce that imported meat receives.

If 16 years of USDA monitoring of State programs and plants maintaining and establishing an equal to status required by law, and finally being recognized by the USDA support this bill as not enough, I would like the ask the opposition, "When will that magic year and time be reached?"

Thank you for the opportunity to appear before this committee, and to the committee for calling the hearings in this important matter to all small businessmen in the meat industry.

Senator BOREN. Thank you very much. I appreciate your testimony, and I know it will be duly noted by members of the committee, and will be very helpful to us.

Mr. Bates, we will allow you to be the concluding witness in this hearing.

We appreciate your patience in sitting through the rest of the testimony and being our wrap-up witness here today.

STATEMENT OF BILL BATES, BATES TURKEY FARM, FORT DEPOSIT, ALA.

Mr. BATES. Well, thank you, Senator. I am Bill Bates of "L. A." We call it "Lower Alabama." It so happens that I am the turkey. [Laughter.]

I am the only turkey grower in the Southeast, the only commercial turkey grower that is left, and processor, out of six States.

Back in 1948, we started our family operations. There were 14 processors in the State of Alabama, turkey processors. Today, I am the last one left, and if this bill is not enacted, I am not going to say I won't be here. I am going to be here whether you pass it or not, I am going to be in business, but all of these people have made real good points. There is no need of me going back over them again, of why we need this bill, and why this thing is so unfair.

I just want to bring out one or two little points about the 20,000 turkeys exemption. I grow 33,000 turkeys. That is not many. I have got 300 brood cows. My cows recycle turkeys. [Laughter.]

That's because of the manure on the grass.

But to get back to the point about how they say that the State inspection is not as good, in my plant, I kill 300 turkeys an hour on our line, and that is fast enough. We don't have but 32 people involved. And I can go to the nearest plant to us, which is in the Carolinas, and they run 4,000 an hour.

Now, I was in a plant the other day that was running 4,000 an hour, and they had two inspectors. They had two lines, and they were sitting there and looking and inspecting 4,000 an hour.

I have got an inspector at my plant that looks at 300 an hour. Now, tell me whose turkeys are looked at the most.

We put a brand on our turkey, and all processors of meat and poultry, if they are in business today, they have got a branded product, or else they would not be in business, and it has to be accepted, and if people didn't accept it you would be gone.

This whole thing has boiled down to the mere fact—and has been for a good many years, and I have been in it all my life—of purely big business versus small business, and these big boys forget one day they were small. When I went in in 1948, I can name numbers of companies that weren't any bigger than I was. They just had the desire, I guess, to get bigger. I didn't.

And there is no point to keep penalizing mom and pop operations. The chain stores have taken over the mom and pop grocery store, the national franchise food deals have taken over the mom and pop restaurants. Now, your big national companies are going to take over the processors and producers of this stuff, and I am going to tell you, one day the consumer will have to pay for all this stuff if they don't correct it.

It has been a real pleasure being here, and I am not going to take up any more time. I know we are running late, and I have got to get back to Alabama.

Senator BOREN. We appreciate your being here. What would it mean if you had to convert? What would be the costs involved if you had to convert?

Mr. BATES. My plant will pass anything that they have got. It won't cost me anything. I have built four plants in my lifetime. I just got through building another one.

The biggest problem that we have got is that I am a seasonal operator. I start processing my turkeys on August 4 of this year. Now, if I were to go Federal, and I could by just asking to be Federal and I could be Federal, but these people would start setting the schedules of when I could have an inspector in my plant, being as I am so small.

You see, I don't run but 300 an hour. Now these turkeys have to be processed at 16 weeks old on the hen, and at 19 weeks old on the tom. Now, every day that we go beyond this point, they will eat me out of house and home, and believe me—they will and can. [Laughter.]

These folks, if they delayed giving me an inspector to run my plant, in 2 weeks they would break me.

That is all there is to it. And this is my contention, plus the costly label changing. I have got a lifetime of labels, boxes and designs, and these companies now charge $2,000 or $3,000 just to change colors on a bag, and if we changed over, I would have to go through all that ball of wax again, and it just ain't worth it to me.

Senator BOREN. Right. I think that is graphic and dramatic testimony that makes the point. So often, I think we don't hear enough of the practical problems of the small operators.

As I said earlier, I think that is an excellent philosophical point. I wanted to say amen to it when you said, you know, you remember when some of the people who are now big were small, and that is fine, they have a right to be big. They have a right to grow into it if they want to. That is part of our system.

But what constantly concerns me is that every year, as I observe it, we are more and more—and it is not just in this line of business, but it is in almost every line of business—we are cutting off access to the small person to start out and to be able to maintain a smaller or medium-size operation, and when we do that we are reducing in this country every year the people who are themselves entrepreneurs, who themselves are directing their own business, who themselves are making those decisions, and have ultimate responsibility.

That gives a tremendous strength to our citizenry, to have a lot of people who have that personal experience of being ultimately responsible ultimately making that decision, and having it be replaced instead by large bureaucracies that don't have that kind of individual responsibility, I think it weakens us not only economically, but weakens the social and political fabric of the country.

So I agree with what you said. I appreciate your testimony.

I would like to enter into the record a letter from the National Cattlemen's Association, Gene Schroeder, chairman of the NCA, grading inspection committee,[1] in which they request their reasons for endorsing S. 593, their statement will be entered into the record along with the other testimony that we have had this morning.

Is there any other testimony to be received, or any other statements to be received for the record? We will place in the record the full statements of all those on all the panels and the others who have appeared.

We appreciate your coming. It is a very important matter. We appreciate all those from all perspectives who have taken their time to appear and give the committee the benefit of their thinking and sharing their expertise.

At this time, we will stand adjourned.

[Whereupon, at 1:15 p.m. the committee adjourned, subject to call of the Chair.]

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[1] See p. 107 for the letter from Mr. Schroeder.

APPENDIX

STATEMENT OF HON. DAVID BOREN
A U.S. SENATOR FROM OKLAHOMA

Mr. Chairman, the legislation before us today, S. 593, would allow state-inspected meat and poultry products to be eligible for sale or transportation in interstate commerce and permit the entry of state-inspected products into federally inspected plants for further processing. The bill also would require that state-inspected products distributed in interstate commerce meet federal marketing, labeling, packaging, and ingredient requirements. The bill would not permit state-inspected products to be eligible for sale or transportation in foreign commerce.

I believe this legislation would eliminate inequities that many small businessmen in the meat processing industry have had to live with for many years.

Over the last ten years, Congress, on several occasions, has considered legislation similar to S. 593. At hearings held during previous Congresses, we heard testimony from a variety of sources that would be affected by the proposed change in the law. Of particular concern was that the legislation would permit state-inspected meat and poultry products to enter into foreign commerce. That provision has been eliminated from S. 593; and the Department of Agriculture favors its enactment.

I realize that this legislation is not supported by everyone, but I am not convinced that the reasons for opposing the legislation are compelling. And, unless I can be convinced otherwise, I believe Congress must remove the double standards we have placed on state-inspected meat and poultry products.

USDA officials, who are responsible for maintaining a safe, wholesome, and properly labeled food supply through inspection, feel confident that the state-inspected products meet the necessary criteria for sale and shipping in interstate commerce. I do not believe the Department of Agriculture would jeopardize its credibility or the health of our citizens if it were not certain that the states could handle this additional responsibility.

In addition, I do not believe consumer confidence in our meat and poultry products will be eroded. In fact, consumer confidence in our nation's food supply, including state-inspected meat, is at an all-time high, and there is no reason to believe, or proof that has been offered, that would lead anyone to believe the passage of this legislation will alter that.

S. 593 affects approximately 5 percent of the total red meat supply and 1 percent of the poultry slaughtered in the United States. It would give small plants who are faced with extinction because they cannot afford the federal inspection program an opportunity to expand and serve their natural marketing areas.

I believe much of the testimony we hear today will stress the importance of getting this legislation enacted in a timely manner. I welcome our witnesses.

STATEMENT OF HON. ROBERT W. KASTEN, JR.
A U.S. SENATOR FROM WISCONSIN

Mr. Chairman, as a cosponsor of S. 593, the Federal and Poultry Products Inspection Act of 1983, I would like to thank you and the committee for scheduling today's hearing on this important issue.

Present law prohibits state inspected meats to be shipped through interstate commerce. Only those meat and poultry products inspected in federal plants, by federal inspectors, are eligible for resale interstate. The inequity here is that even though state inspection standards must be equal to federal inspection standards, state inspected meats cannot be shipped interstate.

Prior to 1967, states were not required to inspect meat and poultry products prepared for shipment into intrastate commerce, even though some states were doing so. Concerns expressed about the lack of inspection in states lead to enactment of the Wholesome Meat Act in 1967 and the Wholesome Poultry Products Act in 1968. Those Acts require that meat products prepared for human consumption and for distribution in intrastate commerce be inspected. The law mandates state inspection standards to be "at least equal to" federal standards and requires USDA to monitor state programs.

The rumor that state inspection programs are inferior to federal inspection programs is grossly untrue. If state inspection programs are found to be inferior, USDA steps in to assume inspection responsibilities until such time state inspection can be certified to meet stringent requirements. If a state fails to comply in executing inspection standards at least equal to federal standards, the Secretary of Agriculture is required to designate that state for federal inspection. The government then assumes all responsibilities connected with a designated state's program.

The federal government is responsible for the inspection of meat products in 23 states and for poultry products inspection in 27 states. All costs are assumed by the government.

Those states conducting inspections under state standards work cooperatively with the government in assuming costs. These states equally share program costs with the government, yet are being penalized for this cooperative effort. Even though they assume financial responsibilities and are required to maintain standards equal to federal standards, they are prohibited from selling meat and poultry products interstate. States that rely on federal inspection, for whatever reasons, can ship their finished products interstate. This makes no sense, when states under USDA surveillance, operate comparable programs. This is a gross inequity that needs to be rectified.

One solution would be for all states to depend entirely on federal funds and manpower to carryout inspection activities. However, this would be a slap in the face to those states that run programs of superior quality and are willing to fund these programs on an annual basis.

In the areas where USDA can determine equality, sanitation and wholesomeness of product, the Department has asserted state programs to be equal in quality of inspection. Successful state compliance progams united with federal inspection efforts have assisted USDA in the recall of horse and kangaroo meat which had been shipped into the United States from Australia last year. In this instance, the quality of state inspection programs speaks for itself.

Present law allows a federally inspected meat plant to buy meats from Australia, New Zealand, Argentina and European countries for shipment into interstate commerce as processed products. Yet, this same federal plant cannot buy meats from state inspected plants for sale into domestic channels. Current law is discriminatory and a hindrance to free and open domestic trade. Following are two examples of my home state of Wisconsin, where current law has caused loss of revenue to small, state inspected plants.

*A small plant in Lodi, Wisconsin, specializes in the production of cured summer sausage. Recognition of this product appeared in a national publication this past fall. The publicity resulted in nationwide requests for this product. The Lodi locker could not fill these offers as their meat is state inspected and not allowed to be shipped interstate.
Estimated loss in receipts: over $6,000.00

*A family owned meat locker in Lake Geneva, Wisconsin, is locally known for their quality bratwurst, a specially blended sausage. This plant is located eight miles from the Illinois stateline. A Chicago restauranteer called last week to place an order for 500 pounds of bratwurst, which he estimated he would need weekly to serve at his restaurant. The order could not be filled as the Lake Geneva plant is state inspected.
Estimated loss in receipts: $3,600.00 monthly.

These are but two examples where prospective customers were turned away from doing business with state inspected meat plants. I am sure further incidents will be cited throughout today's hearing.

As Congress grapples with the issue of trade barriers on a world-wide basis, it is unbelievable that we openly foster domestic trade barriers. This works a particular hardship on those small, family owned and operated meat packing and processing plants located throughout our country. Typically, these businesses engage less than ten full and part-time employees. Employees are usually family members. In my state alone, there are approximately 500 of these family owned businesses.

Domestic trade barriers exist. By removing these barriers and encouraging those states which run cooperative programs with the federal government, a more competitive atmosphere will be created for all meat and poultry processors. Passage of this legislation will allow consumers a wider variety and choice of specialty meats to choose from. Healthy competition would also result in lower prices to the consumer for quality foods. Market expansion for the small processor could result in the creation of more jobs. Increased revenues for these small businesses will encourage them to invest in and improve their operations. Consumers would experience the added convenience of being able to purchase variety meats at their local supermarket without having to drive any great distance, or having relatives/friends purchase an item for them to later be shipped across the country.

Let me stress that this bill in no way changes present inspection standards. The consumer is protected. Quality and wholesome meat and poultry products will continue to crowd the shelves of retail outlets. The change witnessed by consumers will be a more diversified line of products on which they can discriminately spend their dollars.

Support for this legislation is widespread. The United States Department of Agriculture, American Farm Bureau Federation, National Cattlemen's Association, National Association of State Departments of Agriculture, American Association of Meat Processors and others are in full support of this bill.

It is my hope that passage of this bill be expedited, for it will result in greater competition in the market place by tearing down domestic trade barriers we have unwittingly fostered throughout the years and by giving our small businessmen and women a fair shake.

STATEMENT OF CLARENCE KNEBEL, PRESIDENT OF KNEBEL'S PROCESSING PLANT, INC., BELMONT, WISCONSIN, ALSO REPRESENTING THE WISCONSIN ASSOCIATION OF MEAT PROCESSORS

I appear in favor of Senate Bill 593, Federal Meat and Poultry Products Inspection Act of 1983.

Knebel's Processing Plant buys 70% of their total meat product from local producers. The animals are purchased on a carcass basis. The balance, or 30%, mostly boneless beef and pork, is purchased from federal inspected plants.

A premium is paid for carcasses of both beef and pork. Over the past two months the average premium amounted to 2 cents per pound over the Yellow Sheet. On a 700# carcass of beef this amounts to an extra $14.00 per head paid to the producer.

A Belmont hauler trucks 80% of his livestock to Green Bay, Wisconsin, a distance of 210 miles for 90 cents per hundredweight, at a cost per live animal of $9.90 for 1100#. This would be a cost of $11.31 on a 700# carcass.

Knebel's plant purchases livestock from producers within a radius of 20 miles of their plant. Our plant finds that the large packer is interested in buying in larger quantities, or semi-trailer loads, which are normally 40 head of cattle. If the producer has 50 head ready for market he is left with 10 head and the packer is not interested in putting together split loads. With the availability of the small processors, he has a market for the smaller number of livestock.

Most producers have a farm truck and are able to truck their own livestock in smaller amounts. Figuring 10 cents per hundredweight cost for his own truck, the cost would be $1.10 per 1100# animal, $8.80 less than when trucking the greater distance.

With Knebel's paying $2.00 per hundredweight over the Yellow Sheet, the premium on a 700# carcass is $14.00, and $8.80 saved by using his own truck, leaving a $22.80 per animal gain in selling to Knebel's.

Therefore, a producer selling 500 cattle, averaging 700# carcass weight, on a gain of $22.80 per carcass, gains $11,400.00 annually.

Knebel's use the same system on buying hogs. An average premium of $2.65 per hundred was paid over the last 2 months on a 165# pork carcass. The producer received a premium of $4.37 per hog. On 1000 hogs, the premium amounts to $4,370.00, minus a small cost for delivery, but much less than the delivery cost to a major packer possibly more than 150 miles away.

Knebel's Processing feels the producer and the consumer are the losers by not allowing state inspected plants which are equal to federal inspected plants to cross state lines.

Knebel's Farms Finest Sausage and Morlean smoked specialities are wanted in other states. Knebel's have received over 200 awards and trophies at national and state meat products shows. This certainly proves the State Meat Inspection program has quality control.

Iowa and Illinois consumers are driving to Knebel's Processing Plant in Belmont, Wisconsin, seeking a quality product.

Energy costs are high. Today much of Southern Wisconsin livestock is being transported 200 miles and more only to be returned to possibly the same area for resale.

GREATER EMPLOYMENT

Unemployment is running over 10% in the southwest corner of Wisconsin. If the small meat plants were allowed to ship products across state lines it would certainly alleviate some of the unemployment situation and create more tax dollars.

As an active member of the American Association of Meat Processors and a past president, I'm sure most all plants are in the same situation as Knebel's Processing Plant in Belmont.

STATEMENT OF HON. DON NICKLES
A U.S. SENATOR FROM OKLAHOMA

Mr. Chairman, I want to thank you for scheduling these hearings concerning S. 593, the Federal Meat and Poultry Products Inspection Act of 1983.

This legislation would permit state-inspected plants entry into interstate commerce. Under present law, state meat inspection plants must either meet or exceed federal standards for wholesomeness, cleanliness, and freedom from residues. However, the same law prohibits the sale of state-inspected products to nearby markets across state lines. Oklahoma is one of 27 states which have their own meat inspection programs and produce high quality meats.

In Oklahoma about two years ago there were 142 state inspected processing plants; today there are 110. This reduction was caused in part because these plants are prohibited from interstate commerce. In many cases, state inspected plants were not allowed to do business in their natural marketing areas because it would have meant selling across state lines.

On the other hand, the number of federally inspected plants can buy meat from Australia, New Zealand, Argentina, or Europe and ship them into interstate commerce, but the same federal plants are not allowed to buy meat from smaller state inspected plants for use in interstate trade. This is a federally-created 'artificial' restraint on free, competitive trade. If, for example, a state plant wanted to sell beef trimmings to a federal sausage producer this would be against the law.

This legislation would greatly benefit consumers who would have a far greater variety of wholesome meat products from which to chose at competitive prices. Of course, taxpayers would also benefit because state plants need no assistance from the federal government...as a matter of fact, state inspection agencies operate for less money than federal inspection agencies.

I fully support this legislation, and believe it to be in the best interests of our free enterprise system.

Thank you.

STATEMENT OF DR. DONALD L. HOUSTON, FOOD SAFETY AND INSPECTION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, I appreciate the opportunity to testify on S. 593, which would amend the Federal Meat Inspection Act (FMIA) and the Poultry Products Inspection Act (PPIA) to make State-inspected meat and poultry products eligible for sale or transportation in interstate commerce and for entry into and use in the preparation of products in federally inspected establishments.

The Department of Agriculture (USDA) supports this legislation. The circumstances that led to the restrictions in the FMIA and PPIA on the distribution of State-inspected product have changed since those laws were enacted. We believe that meat and poultry products inspected by the States need no longer be limited to distribution in intrastate commerce but should be allowed in interstate commerce as well. To explain the Department's position on this issue, I would like to discuss the evolution of meat and poultry inspection in the United States, particularly the relationship between the Federal inspection system and State programs.

The Meat Inspection Act of 1906 was passed in response to the appalling conditions in U.S. stockyards and packinghouses exposed by Upton Sinclair's book The Jungle and to the public alarm over chemicals being added to meat to give it a fresh appearance. This Act provided for ante-mortem and post-mortem inspection of all cattle, swine, sheep, and goats, the inspection of processed meat foods derived from those animals, sanitation inspection within plants, and review of labeling for truthfulness and accuracy. Federal authority, however, was limited to meat and meat food products prepared for human consumption and intended for distribution in interstate or foreign commerce. In 1907 a minor amendment was incorporated into the 1906 Act, and the amended Act was passed as permanent legislation.

During the early part of the century, the poultry industry had operated largely on a local level, and poultry was considered a specialty product. As technical changes occurred within the industry, poultry production and its distribution to the public grew. These developments initially resulted in the institution of a voluntary inspection program by USDA. The inspection of poultry and poultry products became mandatory in 1957 with the passage of the PPIA. That Act required, with certain exceptions, Federal inspection of poultry and poultry products produced for human consumption for distribution in interstate and foreign commerce.

Under both the PPIA and the Meat Inspection Act, the States were not required to inspect meat and poultry products prepared for distribution in intrastate commerce, even though some States were doing so. Concern over the lack of uniformity among State inspection requirements and unsanitary conditions in many intrastate plants led to a major revision of the inspection laws--the 1967 Wholesome Meat Act, which amended the Meat Inspection Act, consolidating it into the FMIA, and the 1968 Wholesome Poultry Products Act, which amended the PPIA.

At the time the Wholesome Meat Act was passed, there were about 15,000 nonfederally inspected intrastate plants producing about 15 percent of the Nation's carcass meat and 35 percent of the processed meat supply. But there was no consistent pattern of State inspection for this intrastate product. Only 28 States had laws providing mandatory inspection of both slaughtering and processing. Eight States had no meat inspection statutes whatsoever. Twelve States had laws for voluntary inspection at slaughter, but 4 of these 12 did not extend this voluntary inspection to processing operations. Two States had minimal requirements, such as licensing standards, but provided no inspection at the packinghouse. The situation for poultry inspection was even worse.

The 1967 and 1968 Acts require, with certain exceptions, that meat food and poultry products prepared for human consumption and for sale and transportation in interstate and foreign commerce as well as those prepared for distribution in intrastate commerce be inspected. They also required States to develop and effectively enforce requirements for the inspection of meat and poultry products distributed in intrastate commerce that are "at least equal to" those of the Federal program.

The "at least equal to" provisions of the two Acts were the key element in upgrading the inspection of intrastate products. The Acts stress the need for cooperation between Federal and State authorities in carrying out the consumer protection provisions of the legislation but also require USDA to monitor State programs. If a State fails to develop or effectively enforce inspection requirements for the inspection of meat and poultry products distributed in intrastate commerce that are "at least equal to" those under the Acts, the Secretary of Agriculture is required to "designate" that State for Federal inspection. The Department then assumes direct responsibility for inspecting products at plants that were formerly inspected under the State program.

To assist in achieving the purposes of the legislation, the Acts authorized the Secretary to cooperate with State governments in developing and administering State inspection programs. Since passage of the legislation, there has been extensive and continuous Federal aid to the States. Such aid has included advisory assistance in planning and developing State programs, technical and laboratory support and training, and up to 50 percent of the estimated total cost of cooperative programs.

Since 1967, the Federal Government has provided the States with 50 percent of the costs of their inspection programs--for a total of about $413 million. For this fiscal year (1983), the Federal share of State programs will be about $32.2 million. Appendix A, included with my written testimony, gives by State the Federal funding share for fiscal years 1981 through 1983.

Federal payment under the cost-sharing program is contingent on continued satisfactory State administration of the "at least equal to" provision. To assure that the States are meeting those provisions, the Acts require the Federal inspection program to conduct periodic reviews of State programs. USDA evaluations of those programs include reviewing information on State program authority, number and types of plants, program staffing, funding, changes in organization and administration, compliance and evaluation at the State level, and the results of reviews of State plants. USDA conducts plant reviews by visiting a statistical sample of State plants each quarter. The Department must certify to Congress once a year that each State program is being maintained at a level that is "at least equal to" the Federal program.

The 1967 and 1968 legislation gave the States an initial 24 months to develop "at least equal to" inspection programs before the designation process was to begin. If the Secretary had reason to believe that the necessary requirements could be met within another year, designation could be delayed for that period. The first designation occurred in 1970, when it was apparent that a State would not be able to develop a meat inspection program. By the end of 1973, 10 States had been designated for Federal meat inspection. For poultry, 13 States that had decided not to develop inspection programs were designated for Federal inspection on January 2, 1971, or almost immediately after the 24-month period. By the end of 1973, 19 States had been designated for Federal poultry inspection.

Since these early designations, the Federal Government has assumed responsibility for the inspection of meat products produced for intrastate commerce in 13 additional States and for poultry products in 8 other States. Most of these designations have resulted from decisions of Governors or State legislatures to discontinue State inspection programs, almost universally for economic reasons. If a State ends its funding of inspection, USDA by law must assume responsibility for inspection of plants formerly under State jurisdiction because the State can no longer enforce an inspection program "at least equal to" the Federal program.

Today the Federal Government is responsible for the inspection of meat products produced for intrastate commerce in 23 States and for poultry products in 27 States. The rate of designation has accelerated in the past few years--within the last 2 years alone, four States have ended funding for their inspection programs in the face of budgetary constraints. The remaining State programs employ 2,200 inspectors in about 4,200 plants.

Included as Appendix B is a chart listing the States that currently conduct meat and poultry inspection programs. Also shown on the chart is the number of official intrastate plants in each State as well as the number of custom-exempt plants under State inspection. Appendix C shows the dates of designation of State programs and the reasons for their designation.

During the debate on the 1967 and 1968 legislation, it was argued that if States were willing to work toward and develop federally approved inspection systems equal to the Federal program, plants inspected by the States should have the same rights in interstate commerce as those inspected by the Federal Government. The Congress, however, decided not to consider this issue until State programs could prove in practice as well as in theory that they met Federal standards. We now believe that the States with inspection systems have proven over a long period of time that they are able to operate sophisticated programs equal to the Federal. Thus, meat and poultry products from State-inspected plants should be allowed to be distributed in interstate commerce or to federally inspected establishments for further processsing, as S. 593 provides.

The States also contend that the treatment of State-inspected product is blatantly unfair compared to the privileges allowed imported product. As you know, the FMIA and the PPIA require inspection systems of countries that export product to the United States to meet the standards set forth in the Acts. USDA reviews and evaluates foreign inspection systems, laws, regulations, and plants. After USDA determination of the eligibility of a country to export meat or poultry products to the United States, approved plants in that country are allowed to distribute product in interstate commerce in the U.S. once the product has passed port-of-entry inspection. On the other hand, not only does USDA review and certify State inspection programs as "at least equal to" the Federal, it also pays half of the cost of most State programs. Yet, under the current law, State-inspected meat and poultry products are prohibited from being distributed in interstate commerce. We at USDA agree with the States' position that this situation is inequitable and should be corrected.

A major concern of USDA in the past has been that State-inspected product not be allowed in foreign commerce. The United States requires imported meat and poultry products to have been inspected by a national system of inspection. Most of our trading partners require the same of the meat and poultry products they import from us. Thus, neither we nor most of our trading partners are allowed to accept imports from plants inspected by a State, local, or provincial system. Accepting products from more than one system in a country would greatly add to the administrative burden of assuring that imported products meets the requirements of a receiving country. In addition, the cost of reviewing and certifying more than one system would be prohibitive and would thus retard international trade. The proposed legislation retains the current prohibition against the sale or transportation of State-inspected product in foreign commerce and also provides that federally inspected articles prepared in whole or in part from State-inspected articles shall not be eligible for sale or transportation in foreign commerce. These provisions are consistent with our own requirements for meat and poultry products entering the United States.

S. 593 also provides that State-inspected product and federally inspected articles made from such product be separated from other federally inspected articles in any federally inspected establishment that engages in foreign commerce. State-inspected product accounts for only about 3 percent of the total red meat and 1 percent of the total poultry produced in the United States. Moreover, in 1982 the United States exported only about 3 percent of federally inspected meat and 6 percent of federally inspected poultry products. Thus, because of the relatively small amount or product involved, we do not think that the task of meeting this requirement would be burdensome to the Department.

USDA and other officials have also been concerned with the effect of such legislation on the stability of the Federal inspection system. In the past, many feared that if State-inspected product were allowed to be shipped in interstate commerce, plants would be able to "shop around" for the inspection program they preferred. It was also feared that plant management might pressure Federal or State inspection officials to lower standards with the threat that the plant would transfer to the other program. Thus, major instability might be created in the current inspection system. The legislative proposal addresses this concern by requiring that the operator of any establishment under Federal or State inspection who wishes to transfer to the other program may do so only on October 1 of each year, after having given notice to both inspection agencies at least 6 months before that date of his/her intention to do so. In addition, the operator may transfer only after the Secretary has determined that the transfer will not adversely affect the stability of the total State and Federal system. This provision would also benefit the States, because it would discourage plants from arbitrarily transferring from State to Federal inspection. In fact, the Secretary would consult with State officials before agreeing to the transfer of a plant from a State program.

Over the years there has been instability in State inspection programs, caused at least partly by the prohibition on the shipment of State-inspected product in interstate commerce. If a State-inspected plant decides it wants to ship its product interstate, it must operate subject to Federal inspection. When it does, plants that remain in the State program are no longer allowed to sell product to the plant that opted for the Federal program. Thus, markets are lost and, as a consequence, plants may go out of business. The transfer of plants to the Federal program also means that State programs must adjust staffing patterns. Since it is usually larger plants that transfer, the problems for State programs are compounded.

The Department believes that the legislative proposal would help overcome some of the problems the States face and would thus help

The Department believes that the legislative proposal would help overcome some of the problems the States face and would thus help preserve our Federal-State system of inspection. When the Wholesome Meat Act and the Wholesome Poultry Products Act were passed, many States assumed responsibility for a large number of plants that the Federal program probably could not have absorbed at the time. Most of those plants were small establishments in areas that served the rural community. This pattern also prevails today. Such operations should be under State control because State inspection programs are more locally oriented and more accessible to small plants than is the Federal program. With this distinctive ability to respond to the needs of small plants, the States continue to play a vital role in the inspection system.

Because the States have proven that they are able to run sound inspection programs, we believe that the proposed legislation would not reduce the level of consumer protection currently provided. On the contrary, the proposal would recognize the State's contribution to that effort. It is our hope that the States will continue to support their inspection programs and that the legislative proposal before your today will encourage them to do so. This legislation is fair and logical, and the time has arrived for its passage.

This concludes my statement, Mr. Chairman. I will be happy to answer any questions.

APPENDIX A
GRANTS TO STATES
(Thousands of Dollars)

STATES	FISCAL YEAR			Changes From 1981 to 1982
	1980 Actual	1981 3/ Actual	1982 Allocated	
Alabama	869	847	889	+ 42
Alaska	259	242	365	+ 123
Arizona	365	465	488	+ 23
Arkansas	738	541	Designated	-
Delaware	118	150	177	+ 27
Florida	1,403	1,593	1,736	+ 143
Georgia	1,496	1,672	1,787	+ 115
Hawaii	647	651	729	+ 78
Idaho	590	475	Designated	-
Illinois	2,488	2,204	2,451	+ 247
Indiana	1,370	1,387	1,442	+ 55
Iowa	590	702	771	+ 69
Kansas	849	930	1,043	+ 113
Louisiana	1,205	1,474	1,754	+ 280
Maine	85	Designated	Designated	-
Maryland	653	750	731	- 19
Michigan	2,649	2,190	Designated	-
Mississippi	731	838	895	+ 57
New Mexico	188	227	250	+ 23
North Carolina	1,697	1,772	1,927	+ 155
Ohio	2,554	2,493	2,648	+ 155
Oklahoma	956	1,059	1,473	+ 414
Rhode Island	119	112	Designated	-
South Carolina	807	842	826	- 16
South Dakota	261	256	328	+ 72
Texas	3,172	3,273	3,932	+ 659
Utah	408	435	455	+ 20
Vermont	198	203	226	+ 23
Virginia	743	795	911	+ 116
West Virginia	440	499	539	+ 40
Wisconsin	1,520	1,598	1,648	+ 50
Wyoming 1/	1/	1/	1/	-
TOTAL	30,168 2/	30,675	30,421	+ 3,064

1/ Has not requested Federal funds since fiscal year 1978.

2/ Obligations as of September 30, 1980.

3/ Obligations as of February 4, 1982.

February 4, 1982

APPENDIX B
MEAT AND POULTRY INSPECTION PROGRAMS
Official and Exempt
Intrastate Plants

STATES	STATE JURISDICTION			
	Official			Exempt *
	Meat	Poultry	Total	
Alabama	104	8	112	52
Alaska	16	0	16	2
Arizona	55	8	63	36
Arkansas				
California **	D	D	D	(449)
Colorado				
Connecticut				
Delaware	8	1	9	3
Florida	283	7	290	79
Georgia	169	0	169	61
Hawaii	72	6	78	1
Idaho				
Illinois	524	27	551	50
Indiana	172	18	190	64
Iowa	196	9	205	219
Kansas	174	17	191	47
Kentucky				
Louisiana	163	0	163	78
Maine				
Maryland	51	7	58	30
Massachusetts				
Michigan				
Minnesota **	0	0	0	444
Mississippi	90	3	93	27
Missouri				
Montana				
Nebraska				
Nevada				
New Hampshire				
New Jersey				
New Mexico	42	1	43	34
New York				
North Carolina	224	19	243	113
North Dakota				
Ohio	369	46	415	163
Oklahoma	112	15	127	132
Oregon				
Pennsylvania				
Rhode Island				
South Carolina	103	11	114	0
South Dakota	51	0	51	93
Tennessee				
Texas	513	10	523	162
Utah	(41)	0	(41)	(66)
Vermont	26	0	26	38
Virginia	27	3	30	163
Washington				
West Virginia	52	0	52	62
Wisconsin	307	13	320	177
Wyoming	25	0	25	39
Subtotals	3,969	229	4,198	2,884
		TOTAL	7,082	

*The FMIA exempts from ante-mortem, post-mortem, and processing inspection custom facilities that slaughter or process livestock delivered by an owner for use in the owner's household. Custom plants are required to meet certain facility, sanitation, labeling, and other requirements and are inspected periodically. Most of the plants in this column are custom-exempt, but the figures include a few low-volume poultry operations exempt from continuous inspection under the PPIA.

** Exempt only

D Designated

( ) Indicates Data From Preceding Review

June 30, 1982

APPENDIX C
DATES USDA ASSUMED INTRASTATE INSPECTION

State	Meat	Poultry
Arkansas	6-01-81	1-02-71
California	4-01-76	4-01-76
Colorado	7-01-75	1-02-71
Connecticut	10-01-75	10-01-75
Georgia		1-02-71
Idaho	7-01-81	1-02-71
Kentucky	1-14-72	7-28-71
Maine	5-12-80	1-02-71
Massachusetts	1-12-76	1-12-76
Michigan	10-03-81	1-02-71
Minnesota	5-16-71	1-02-71
Missouri	8-18-72	8-18-72
Montana	4-27-71	1-02-71
Nebraska	10-01-71	7-28-71
Nevada	7-01-73	7-01-73
New Hampshire	8-07-78	8-07-78
New Jersey	7-01-75	7-01-75
New York	7-16-75	4-11-77
North Dakota	6-22-70	1-02-71
Oregon	7-01-72	1-02-71
Pennsylvania	7-17-72	10-31-71
Rhode Island	10-01-81	10-01-81
South Dakota		1-02-71
Tennessee	10-01-75	10-01-75
Utah		1-02-71
Washington	6-01-73	6-01-73
West Virginia		1-02-71

STATEMENT OF HON. BOB ODOM, COMMISSIONER OF AGRICULTURE, STATE OF LOUISIANA, REPRESENTING THE NATIONAL ASSOCIATION OF STATE DEPARTMENTS OF AGRICULTURE

Mr. Chairman and members of the Committee, I am Bob Odom, Commissioner of Agriculture for Louisiana. I am presenting testimony for the National Association of State Departments of Agriculture. The Association represents the Commissioners, Secretaries and Directors of Agriculture in the fifty states, the Commonwealth of Puerto Rico, and the territories of Guam, American Samoa and the Virginia Islands. We apreciate this opportunity to testify on S.593.

This legislation will remove a very serious inequity in the treatment of State-inspected meat and poultry establishments, and benefit consumers by making more products available for sale in interstate commerce.

The bill, would permit State-inspected meat and poultry slaughtering, packing and processing plants to sell their products in interstate commerce. It also establishes an orderly procedure for plants to change their inspection designation from State to Federal or Federal to State. Finally, it assures the free movement of products by prohibiting States from imposing any additional marking, labeling, packaging, or ingredients requirements.

As you know, this bill has the full support of the U.S. Department of Agriculture.

Since the passage of the Wholesome Meat Act in 1967, States have been authorized to establish inspection programs in lieu of Federal inspection, provided that the State programs maintain and enforce standards of quality as high as the Federal standards mandated under the Federal Meat Inspection Act and the Poultry Products Inspection Act. At the present time 27 States operate meat inspection programs and 23 States provide poultry inspection. These programs are "equal to" the Federal program in terms of enforcing standards of product wholesomeness and plant and equipment sanitation. USDA's Food Safety and Inspection Service (FSIS) is charged with the responsibility of monitoring State programs on an on-going basis to assure their "equal to" status. FSIS reviews each State program every three months, and certifies to Congress every year that each State program is maintaining standards of health and wholesomeness equal to Federal standards.

Despite the fact that State programs are required by law to meet federal standards and are continually monitored and recertified as "equal to" the federal program, State-inspected meat and poultry products are totally excluded from interstate commerce. This means that many plants operating under state inspection cannot now serve their natural marketing area.

Is it fair that a plant operating in Bristol, Virginia is unable to do business in Bristol, Tennessee simply because of an imaginary line running down the middle of a street?

This constraint is especially burdensome on plants located near state border. These firms are handicapped in their advertising efforts because advertisement rates are based, not on political jurisdictions, but on the total number of readers or audience reached, regardless of state borders. Consequently, many state firms are unable to put their advertising campaigns on a cost-effective footing.

Permitting interstate sale of state-inspected meat will clearly benefit state-inspected establishments. But it will also have a beneficial ripple effect on the entire local economy.

Many state-inspected plants would increase their volume and sales if they were permitted to serve interstate markets. They would employ more people and boost local economies. They would benefit local livestock and poultry producers by purchasing more cattle, hogs, lambs, chickens and turkeys. To the livestock producers, that means increased local markets, better competition for his animals, and a better chance of making a profit. Simply by being able to sell more animals two or three miles away from the farm instead of trucking them hundreds of miles to major packing plants means less expense and greater profit for the producer.

Consumers would also benefit from this legislation. Many areas of the country feature meat items that are not available elsewhere. Small, state-inspected plants would be able to introduce their regional or ethnic product into areas where they are currently not available. The opportunities for mail-order and catalogue sales by small firms would be greatly enhanced by this legislation.

It is unfair to restict markets for state-inspected firms when these firms maintain quality standards as high as Federal establishments. It is even more unfair to deny state-inspected firms the rights and privileges enjoyed by foreigners who export meat and poultry products to the U.S. Foreign products have free access to any market in the country, even though these products are often subject to far less inspection than state products.

As you know, foreign inspection systems are certified by the U.S. Department of Agriculture if they meet U.S. standards. Nevertheless, as a recent GAO report amply documents, these foreign programs receive only minimal supervision and oversight by USDA, and on-site inspections by USDA personnel are very infrequent. (see Improved Management of Imported Meat Inspection Programs Needed, June 15, 1983, R-CED-83-81). State programs, on the other hand, are subject to quarterly on-site checks, and often receive more frequent visits if a deficiency in a state program is discovered or suspected.

It is unfair to deny state-inspected firms the same rights we freely grant to foreign firms, especially when state-inspected products are subject to more intensive scrutiny.

Some critics of ~~H.R.5268~~ S. 593 have suggested that the legislation is unnecessary because any state establishment wishing to engage in interestate commerce has the right to convert to federal designation. This is a spurious argument for several reasons.

In the first instance, the process of converting to federal jurisdiction can be very difficult and costly. For many small operators, conversion is totally impractical. The facility requirements are designed primarily for large scale facilities, and are often inappropriate for small facilities. Some of the requirements have little to do with sanitation or wholesomeness. An example is the federal requirements that all beef locker carcass rails must be 11 feet in height. This requirements is appropriate to plants that deal with half carcasses. But many small plants work with quarter carcasses and utilize lower rails. Nevertheless, they would be subject to the 11 foot requirement.

In addition, an operator seeking conversion is subject to a lot of paperwork. Plant blueprints must be submitted, label application forms completed and additional information is often requested. This takes time and money.

Even if the process of converting from state to federal designation were as easy as some critics of this legislation contend, switching from one system to another does not provide a solution to the inequity of barring state plants from interstate markets.

State inspection programs have many advantages for small plant operators not found in the federal system. For example, state programs are generally much more flexible than the federal program in terms of inspection hours. A plant which is voluntarily applying for federal inspection may have to rearrange its work schedule to accommodate a federal inspector. The plant may have to reschedule employee's hours to work around the availability of a federal inspector.

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Obtaining an additional day of inspection on a temporary basis or making an emergency change in inspection hours is often difficult if not impossible. Often an overtime charge is made for small plants requiring federal inspection, even in cases where the inspector is in the plant less than eight hours a day.

Small plant operators under state inspection generally enjoy a direct line of communication with their state inspection officials, right up to the level of the Commissioner, Secretary, or Director of Agriculture. State officials are familiar with even the smallest plants, and their specific needs and circumstances are understood. Typically, state program organizational structures are simple and direct. If a problem can't be solved working with the inplant state inspector or his supervisor, the plant operator and/or the inspector can appeal to the state program director. Unresolved problems are handled quickly and without costly delays. And speed in rendering decisions is often crucial to small, low volume operations.

Most state programs have a three-tiered management structure: inplant inspectors, circuit supervisors, and the program director. In contrast, the federal program has a six-tiered structure involving inplant inspectors, mini-circuit supervisors, circuit supervisors, area supervisors, regional office staff, and the Washington, DC headquarters.

Passage of S.593 will strengthen the entire Federal/State inspection system giving states an added incentive to continue their programs. At the present time, only 27 states continue to provide meat inspection and only 23 states provide poultry inspection. There has been a steady attrition in the number of state programs during the past decade, and there are some signs that the trend may be accelerating as a result of fiscal difficulties in many states.

Under the 1967 Act, a State's participation is wholly voluntary. If a State chooses to terminate its program, USDA must assume full responsibility and full costs for inspecting every plant formerly under State inspection. This process of "designation" entails additional costs to the American taxpayers because the Federal government's expenes, on a per inspection basis, are generally higher than state expenses. For example, USDA recently took responsibility for inspecting certain state plants in South Carolina under the Talmaxdge-Aiken Act. Under the state program, the inspection costs amounted $216,000 per year. Under the federal program, and with the same workload, the costs shot up to $319,000 per year.

There are several reasons why most state programs are more economical than the federal program. For one thing, state personnel costs are generally lower. In Virginia, for example, state inspectors earn approximately 30 percent less than their federal counterparts. States are able to economize, on occasion, by cross-utilizing meat and poultry personnel with animal health personnel. In emergency situations, state personnel are more readily available at less cost than federal employees. Finally, a great deal of effort has been made in the past several years to streamline program management and reduce costs to a bare minimum.

Under the terms of the Wholesome Meat Act, USDA is directed to share up to 50 percent of the costs of state inspection programs. By 1979, however, the federal contribution was no longer equal to the states' contribution, and states were confronted with a severe funding shortfall. Consequently, a task force of state and Federal personnel was convened at the request of our Association to explore every possible means of cutting program costs without jeopardizing the vigilence and integrity of state programs. The task force developed 19 recommendations aimed at making State programs as efficient and cost effective as possible. Since then, every state program has incorporated at least some of the recommended changes, and considerable savings have been realized.

States perform inspections at less cost than USA, and conserve scarce tax dollars. They provide an important service to more than 4,000 meat and poultry plants and the largely rural communities where these firms are located. State programs should be maintained, and S.593 will contribute to the this worthy goal.

Mr. Chairman, permit me to address some of the specific allegations and concerns being raised against this legislation.

1. Some federally inspected firms are concerned that competition from state firms may cut significantly into their interstate sales. However, federal plants have little to fear. Although approximately 40 percent of all slaughtering, packing and processing plants in the United States are under state inspection, only about 3 percent of the nation's red meat, and less than 1 percent of the nation's poultry, passes through state plants. Not all state plants will exercise their new access to interstate markets. Moreover, many of these plants specialize in unique varieties of ethnic and regional foods which would not pose any direct competition with products now on interstate markets.

This legislation may actually benefit federal establishments by enabling them to buy products or materials from state plants for further processing or manufacturing. They would be able to subcontract work to state plants to ease overtime problems, to take advantage of special equipment or skills, or just for convenience of operations.

2. Some critics contend that S.593 would undermine consumer confidence in the U.S. meat and poultry supply. This argument is false. There is no data, evidence or market survey that indicates that consumers have any less confidence in state products than Federal products. On the contrary, some of the nation's finest specialty and gourmet products such as fancy sausage, cured hams, Pate, duck and veal products - pass under

state inspection. Many state brands have acquired impressive reputations in their respective product lines.

3. Some critics claim that S.593 would result in added enforcement costs because state products suspected of adulteration would have to be traced back to the state of origin. This argument is without foundation. USDA already has cooprerative enforcement agreements with all state programs, and state personnel regularly assist federal personnel in enforcement activities. A recent example is the invaluable assistance provided by state inspectors following the "kangaroo meat" incident in 1981.

This legislation will reinforce and encourage even closer coordination, resource sharing and personnel cross-utilization between the states and USDA, and such cooperation will help keep costs at a bare minimum.

Mr. Chairman, this legislation is the accumulation of many hours of careful deliberations by a joint State/Federal task force of experienced and highly knowledgeable food safety professionals. Every potential impact has been identified and analyzed, and the draft text of the bill was widely circulated for further comments and input.

Keeping 40 percent of the nation's meat plants under state inspection will avoid major new increases in the federal meat inspection budget and will help allow domestic plants to compete fairly with foreign meat and poultry products in American markets.

Both state and Federal programs are needed. The USDA and the state programs need to work together, complementing each other's programs, without any implication that the state system is inferior to the Federal. In essence, Mr. Chairman, this nation has a single inspection system enforcing the high standards of wholesomeness and quality mandated by Congress in the Federal Meat Inspection Act and the Poultry Products Inspection Act. All products that meet this standard, whether State or Federal inspected, are entitled to enjoy the same access to American markets.

Thank you for the opportunity to testify on S.593.

STATEMENT
BY
STEPHEN RITTER
PRESIDENT
DOLD FOODS, INCORPORATED
ON BEHALF OF THE
AMERICAN MEAT INSTITUTE

Good morning. My name is Stephen Ritter, and I am President of Dold Foods, Incorporated. Dold Foods is a packer and processor of red meat with its principal offices located in Wichita, Kansas and is a member of the American Meat Institute (AMI), on whose behalf I am pleased to appear today. AMI is the oldest national trade association representing packers and processors of meat and meat products. More than 70% of AMI's approximately 330 members are small companies which employ fewer than 100 people. Accompanying me today is Gary Jay Kushner, AMI's Vice President and General Counsel and James Hodges, the Institute's Director of Scientific Affairs.

AMI is very proud of the reputation that the meat industry has worked so hard to earn in the past 77 years since it has been under Federal regulation. Through a combination of constantly advancing quality control procedures implemented by the meat industry and Federal inspection, we have been successful in continually providing consumers with the highest quality, safest and most wholesome meat supply available anywhere in the world. We would not want to threaten this record or in any way jeopardize the carefully balanced industry/government effort that has helped make it possible. At a time when the consumer demand for red meat is at an ebb, we must be especially protective of the image that our products enjoy in the marketplace. That is why AMI opposes proposed legislation that would permit the interstate shipment of meat products that have not been subjected to Federal inspection.

While we believe that the state inspection systems currently in existence in 27 states serve an important purpose, those systems complement, but should not replace, Federal inspection. Plants currently under state inspection which desire to ship their products in interstate commerce can readily convert to Federal inspection. Elimination of the Federal inspection requirement entirely, therefore, cannot be justified.

Background -- The Federal/State Cooperative Program

In 1906, Congress enacted the Federal Meat Inspection Act (FMIA) to establish a uniform system of Federal inspection for the meat packing industry. Meat products entering into interstate commerce are regulated by a single set of national standards in order to guarantee consumers that the meat products they purchase are consistantly wholesome and unadulterated. This Federal program and the mark of Federal inspection has become a symbol of product uniformity and wholesomeness that has served to enhance a high degree of public confidence in the nation's meat supply.

While the Federal Meat Inspection Act provided a guarantee of wholesomeness for meat products moving in interstate commerce, for the next sixty years, individual states were solely responsible for monitoring meat products moving within state boundaries. Wide discrepencies in the effectiveness of these programs pointed to a serious need for the creation of a standard of wholesomeness similar to the one utilized by the Federal program, a standard that each state operating a program would be encouraged to embrace. With the passage of the Wholesome Meat Act of 1967, Federal financial and technical assistance was provided to establish a cooperative Federal /state inspection program that assisted the states in strengthening and improving their meat inspection programs.

The effort to extend the Federal standard of wholesomeness to meat products moving in intrastate commerce constructed a framework for protecting consumers of all meat products, regardless of where the meat originated. The meat industry and consumers alike applauded these efforts to protect the integrity of the meat supply. AMI fully supports the concept and operation of a cooperative, coordinated Federal/state inspection program.

Federal and State Systems Differ -- In Purpose and in Substance

Both experience and Congressional intent clearly illustrate, however, that the Federal inspection program and the several state programs have been designed to serve complementary but different purposes. While the state programs are intended to respond to the unique needs of local packers and processors serving intrastate markets, the Federal inspection program is designed to guarantee both a standard of wholesomeness and identity in products being shipped throughout the United States. Every plant participating in the Federal inspection program must meet the same requirements for construction, sanitation, labeling, inspection and processing. The confidence that consumers have in the meat they purchase and in the meat industry, generally, is dependent upon this national uniformity in the requirements of and approach to meat inspection.

In testimony before the Senate's Agriculture Subcommittee on Agricultural Research and General Legislation, USDA's Dr. Donald Houston supported this position when he stated that

> "...the Federal inspection system was designed to provide uniformity and confidence for consumers in the safety of the meat supplied. The mark of Federal inspection assures consumers that meat has been examined by inspectors who enforce the same standards nationwide, and that has been slaughtered

> and processed in plants that must adhere to the same national standard." 1/

It is primarily for this reason that USDA until recently has opposed legislation such as that now proposed. Opening interstate markets to meat products that have not been Federally inspected, but have been subjected to different and often less stringent standards, and which carry a multitude of separate inspection labels would erode the assurance of uniformity provided under the current inspection system and create confusion and distrust among purchasers of our products.

The equivalency of state inspection to Federal inspection is a matter continually subject to controversy. In this regard, the USDA Review and Evaluation Staff conducted a nationwide survey of state inspected plants in 1980. Plants were categorized on a scale from one through four. Category One identified plants most likely to produce adulterated or misbranded products with Category Four including plants with the greatest degree of compliance. The 1980 report revealed that approximately 50% more state inspected plants appeared in the lower two categories than did Federally inspected plants. The report concluded that this demonstrated a gap in effectiveness between the Federal and state inspection systems.

Although a 1981 oversight review showed improvement in state inspected plant compliance, follow-up reviews of the original Category One plants revealed that 19% of the plants were still in the bottom bracket. Yet, notwithstanding these data, a 1982 USDA report to the U.S. Congress stated that, "the Department believes that states with inspection programs have proven their ability to enforce inspection standards equal to those at the Federal level."

1/ Testimony of Dr. Donald Houston before the Subcommittee on Agricultural Research and General Legislation, 1979.

The Government Accounting Office (GAO), on the other hand, has been less convinced about the effectiveness of state programs. Just last December, GAO issued a report expressing serious reservations about USDA's periodic evaluations of state programs. While the GAO report focused upon what it deemed inadequacies in Florida's inspection program, GAO has been sufficiently concerned about the overall effectiveness of the state inspection programs that it has extended its audit to cover several additional states. Additionally, recent allegations of mismanagement of Vermont's state inspection program further underscore the uncertain viability of several state programs.

USDA's compliance reviews, GAO's ongoing audit and recent experiences have raised questions about the adequacy of state inspection programs. These questions alone create doubts as to the wisdom of opening the interstate markets to products that have not been Federally inspected. At the very least, it would be premature for this Committee to eliminate state boundaries for purposes of the shipment of such products until these important concerns are resolved.

Interstate Shipment Without Federal Inspection Would Increase Federal/State Enforcement Burdens

Finally, this bill would result in increased enforcement burdens for the Federal and state governments as well as a diffusion of responsibility between them. Under current practice, USDA's role in state inspection is limited primarily to the evaluation of state programs to ensure their adequacy. The Department does not become involved in the actual inspection process nor does it even review all of the inspection procedures in all state plants.

If state inspected plants were permitted to ship products in interstate commerce, Federal involvement would increase significantly. USDA's new responsibilities -- and costs -- would include those related to expanded monitoring and enforcement activities. Since state inspected products would now be in the Federal domain, USDA would find itself duplicating the work for which the states are now and would continue to be responsible. The potential for conflict between Federal and state agencies as a result of such duplication would be profound.

Plants Desiring Access To Interstate Commerce Can Readily Obtain Federal Inspection

Not only is the proposed legislation flawed conceptually, but it is also unnecessary. The bill is designed to provide market access for products where access already exists within the present system. Any plant operator who wishes to ship products in interstate commerce has the option of applying for Federal inspection. Some may argue that conversion to Federal inspection is too costly or burdensome. To the contrary, in USDA's testimony in 1979, Dr. Houston stated that

> "[w]e have found that most plants, even the smallest, can meet Federal inspection requirements without undue cost or effort." 2/

In fact, Federal inspection is more cost-effective than state inspection. An economic assessment of the cost of Federal and state red meat inspection demonstrates that the Federal inspection program spends approximately $5.00 to every $1.00 spent by state inspection programs, but inspects 20 pounds of product for every one pound of product inspected under state programs. Federal inspection, is, thus, four times more efficient than state inspection. In dollar terms, this cost efficiency would amount to a savings of $47 million if state inspec-

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2/ Supra, p. 38.

tion programs were operated at the same level of efficiency as the Federal inspection program.

It has been suggested that one reason why some plants would prefer to remain within the state inspection system, instead of applying for Federal inspection, is the familiarity that one often gains with state inspectors and a natural preference for working with those local officials with whom a company has developed a cooperative relationship. The current Federal inspection system, however, makes this continued role of state inspectors in the day-to-day inspection of certain plants that are granted Federal inspection possible under the Talmadge-Aiken Act. Under that statute, Federal inspection is carried out by state employees. Up to 50% of the inspection costs are provided by USDA, the remainder being paid for by the participating state. Talmadge-Aiken plants are Federal plants and are entitled to ship their products interstate. USDA performs a review function and requires that the plant adhere to Federal inspection standards, but no significant changes in plant inspection personnel take place.

We understand that the Talmadge-Aiken arrangement has worked very well in a number of plants. It is an arrangement that is of benefit to the Federal and state governments involved. Unfortunately, this option has not been used to its potential. Certainly, it should be explored further before it is effectively undercut by the proposal under consideration.

Recommended Safeguards To Ensure That Proposed Legislation, If Implemented, Results in Effective and Equitable National Inspection System

Although AMI believes that the proposed legislation is conceptually inappropriate and unnecessary, there are several refinements that might be considered to improve upon it. These recommendations are made so that, if the proposed legislation were to be pursued, it could be implemented in the most equitable and effective fashion possible.

First, the bill must make clear that any plant currently operating under Federal inspection may revert to state inspection just as readily as a state plant is permitted access to interstate markets. Certainly, if state programs are considered to be comparable to the Federal inspection system and there exist sufficient benefits for a plant to remain under state inspection, there should be no reason why a plant now under Federal inspection should not be entitled to choose state inspection as well. Although the bill as currently drafted suggests that Federally inspected plants may, with the approval of the Federal and state programs, switch to state inspection, USDA is given virtually unbridled discretion to prevent this. USDA's discretion, in this regard, should be eliminated or drastically curtailed.

In addition, in order to ensure the continued "equivalency" of the Federal and state programs, states should be required to implement any substantive inspection requirements adopted by the Federal government immediately upon promulgation by USDA. The bill as written includes no such "continued equivalency" provision.

Finally, the preliminary results of the GAO study and the GAO decision to extend its investigation of the adequacy of state programs makes clear the need for increased USDA evaluation of state programs. This will become especially important if state inspected plants are permitted to ship products in interstate commerce. The proposed legislation should be amended, therefore, to require more regular USDA audits of state plants.

Conclusion

AMI maintains that Congress intended to create a dual inspection system that would operate in a coordinated manner to produce wholesome meat products for movement in interstate and intrastate commerce. The two programs fulfill separate and distinct functions that would best serve the meat industry and the consuming public by continuing to operate in its present manner.

The proposed legislation would certainly weaken the currently effective Federal/state cooperative program. More fundamentally, interstate shipment of products that have not been Federally inspected would threaten the uniform system of inspection upon which consumers have learned to rely and would jeopardize the integrity of the national meat supply.

We urge this Committee to abandon this idea. Thank you for this opportunity to present our views.

(The following material was presented by Merrill Clouse.)

POSITION PAPER

of the
AMERICAN ASSOCIATION OF MEAT PROCESSORS

LEGISLATION BEING CONSIDERED: S. 593, if enacted, would permit state inspected meat products to be shipped in interstate commerce and to be sold to federally inspected establishments.

ASSOCIATION POSITION: FOR

ASSOCIATION PROFILE:

The American Association of Meat Processors, which we will refer to throughout this document as AAMP, is the non-profit meat trade group which represents the small to medium size independent meat processors in the United States. AAMP's membership includes over 1400 independent, family-owned meat businesses located throughout the United States and Canada.

Many of these small business people maintain their meat plants under state meat inspection programs while others operate with federal inspection in states which no longer maintain state meat inspection programs. The plants which are operating under state meat inspection are generally satisfied with their present inspection status.....except for the discrimination against them insofar as free and unhindered shipment of their products and sales of their meat to federally inspected meat plants is concerned. Federally inspected small meat plants, for the most part, are also operating satisfactorily in their present situations.....except for the problems they often experience in working with the federal bureaucracy.

SUPPORTIVE STATEMENTS FOR PASSAGE:

1. STATE MEAT INSPECTION PROGRAMS ARE EQUAL TO, BUT NOT NECESSARILY IDENTICAL TO, THE FEDERAL MEAT INSPECTION PROGRAM;
2. SMALL PLANTS VOLUNTARILY APPLYING FOR FEDERAL INSPECTION FIND THE PROCESS TOO EXPENSIVE, FRUSTRATING AND THE BUREAUCRACY TOO DIFFICULT TO DEAL WITH;
3. SMALL MEAT PLANT OPERATORS FIND IT DIFFICULT TO OBTAIN ANSWERS TO QUESTIONS AND PROBLEMS FROM THE MASSIVE FEDERAL BUREAUCRACY;
4. CLOSE CONTACT BY TOP LEVEL STATE OFFICIALS WITH THEIR EMPLOYEES AND THE MEAT PLANTS UNDER THEIR JURISDICTION MAKES IT MORE DIFFICULT FOR ILLICIT ACTIVITIES SUCH AS BRIBERY AND COLLUSION TO EXIST;
5. COMMUNICATIONS BETWEEN TOP LEVEL POLICYMAKERS AND THEIR FIELD PERSONNEL ARE EFFICIENT;
6. POLICY DECISIONS ARE OFTEN MADE IN WASHINGTON BY UNELECTED FEDERAL POLICY MAKERS WITH NO OPPORTUNITY FOR PUBLIC COMMENT;
7. FOREIGN MEAT PRODUCTS, WHICH ARE SUBJECT TO LESS INTENSE INSPECTION THAN IS OFFERED BY THE STATES OR THE USDA, ARE PERMITTED FREE ACCESS TO AMERICAN MARKETS. THE SAME PRIVILEGE SHOULD BE GIVEN TO AMERICAN BUSINESSES THAT ARE CONSTANTLY WATCHED;
8. CONSUMER CONFIDENCE IN OUR NATION'S MEAT SUPPLY, INCLUDING STATE INSPECTED MEAT, IS AT AN ALL-TIME HIGH, AND THERE IS NO REASON TO BELIEVE, OR PROOF THAT HAS BEEN OFFERED, WHICH WOULD LEAD ANYONE TO BELIEVE THAT PASSAGE OF THIS BILL WILL CHANGE THIS;
9. THE PRESENT RESTRICTIONS DO NOT ALLOW SMALL PLANTS TO SERVE THEIR NATURAL MARKETING AREAS AND INHIBITS THEIR GROWTH;
10. LIVESTOCK PRODUCERS PAY A PENALTY OF LESSENED COMPETITION UNDER THE PRESENT LAW;

11. CONSUMERS WOULD BE REWARDED WITH MORE VARIETY AND COMPETITIVE PRICING;

12. STATE AND FEDERAL PLANTS WOULD BE ABLE TO COOPERATE AND OPERATE MORE EFFICIENTLY;

13. FIVE THOUSAND STATE-INSPECTED PLANTS ARE PROHIBITED FROM BIDDING ON MOST GOVERNMENT MEAT CONTRACTS UNDER PRESENT LAW;

14. CLOSE COOPERATION BETWEEN USDA AND STATE PROGRAMS IS ESSENTIAL IN CONTINUING TO SUPPLY AMERICAN CONSUMERS WITH THE WHOLESOME, UNADULTERATED, PROPERLY LABELED PRODUCT TO WHICH THEY ARE ACCUSTOMED.

Each point will be dealt with indepth in the next pages.

STATE MEAT INSPECTION PROGRAMS ARE EQUAL TO, BUT NOT NECESSARILY IDENTICAL TO, THE FEDERAL MEAT INSPECTION PROGRAM -

The state and federal programs, contrary to the unfounded allegations of some opponents of the present system, are equal; but they are far from being the same.

Either the states are doing the job or they aren't. If the anyone can show irrefutable proof to Congress that the job is being inadequately handled by the state programs, then the USDA should assume the responsibility for administering these programs. If they can't prove that the states are doing an inadequate job, and we believe that this evidence cannot be provided because it is nonexistent, then there is no reason to oppose passage of legislation to end this gross inequity and barrier to free trade in the meat industry.

Study after study has been done on the equal to status of state meat inspection programs. These inquiries have shown that the USDA has kept its finger on the pulse of the state programs. Problems found in the state programs during these studies, whether they be in individual plants or in a specific area of a state, would exist if the meat inspection were administered by the federal government. Inherent problems do not cease to exist simply because the governing agency changes.

Successful compliance programs, including the ability to trace and recall adulterated product should it be necessary, have been implemented in all state programs. The last remaining program without such a compliance program, Florida, recently completed steps to activate a separate compliance branch. Prior to that time, compliance activities had been handled by inspection supervisors. Evidence of the excellence of these activities is provided by the fact that all of the state inspection programs assisted the USDA in the recall of horse and kangaroo meat which had been shipped into this country from Australia.

SMALL PLANTS VOLUNTARILY APPLYING FOR FEDERAL INSPECTION FIND THE PROCESS TOO EXPENSIVE, FRUSTRATING AND THE BUREAUCRACY TOO DIFFICULT TO DEAL WITH -

On the surface, it would seem that it should be a breeze to transfer a plant from state meat inspection to the federal meat inspection program. After all, state systems are equal to the federal program and must abide by federal regulations. If the plant is operating satisfactorily under state inspection, shouldn't it be easy to apply for and receive federal inspection?

Maybe it should be, but it is not. Some of these problems and expenses are outlined here.

Facilities Requirements - The major hurdle facing the small existing meat plant applying for federal inspection is the facility requirements. These are set forth in a document known as "Handbook 570."

Many of the small plants were built prior to enactment of the Federal Meat Inspection Act. While they were built according to generally accepted industry specifications for the production of wholesome products, they were not bound by guidelines laid down by any governmental agency. Consequently, as these plants were brought into the meat inspection systems, many were often unable to meet the federal facility requirements in "Handbook 570" designed primarily for big packing plants. These facilities deviations did not necessarily affect sanitation or wholesomeness of product. In the early days of meat inspection, many small meat businesses were forced out of business because of unwarranted demands that facilities changes be made.

For example, overhead rails, which support trolleys by which sides and quarters are moved about in meat plants, are required by federal regulation to be 11 feet high in beef coolers. It is a sensible requirement where beef carcasses are handled as sides since it prevents the meat from dragging on the floor. Many small plants did not meet this specification because they were designed to handle beef in quarters rather than sides. Also, many small plants did not have private offices for an inspector. as required in federally inspected meat plants.

Eventually, the USDA recognized the fact that small plants do operate different than large packing houses and published a document entitled "Federal Facilities Requirements for Small Existing Meat Plants" This guideline permitted the lower rail heights for handling beef quarters, plus many other such variations which do not affect sanitation or wholesomeness of product. As the title suggests, these variations applied only to existing facilities and were not applicable to the construction of new plants or to expansion of old ones.

As the result of the issuance and use of the "Small Existing Plant Handbook," thousands of small establishments are successfully operating today under inspection, turning out product that is sanitary and wholesome, under both federal and state programs. But, there are only two instances in which meat plants are permitted to be "grandfathered" into meat inspection using this guideline:

1. When an entire state is designated for federal takeover, and,
2. When a meat plant is brought into a state meat inspection program.

When small plants voluntarily apply for federal inspection without their entire state program designated, they must renovate to make any facilities changes which had been permitted under the Small Existing Plant Handbook guidelines. If a small meat plant is operating in a sanitary manner, producing a wholesome product today, it would not necessarily be permitted into the federal program tomorrow without extensive and expensive renovations.

In a state designated for federal inspection, the "Small Existing Handbook" automatically applies to the plants which are brought under the federal program during the designation. Therefore, those plants absorbed into the federal program during a designation are not normally faced with the massive expenditures for facilities renovations. In addition, they have three years in which to make any needed corrections while those voluntarily applying must complete the work before the grant of inspection is considered.

Thus obtaining federal inspection on an individual plant basis is not as easy as it sounds even though the state program under which it is operating is certified, and is being operated, as equal to federal by the United States Department of Agriculture.

Expense of Applying for Federal Inspection - Initially, small plants which had been permitted to operate under the guidelines of the Small Existing Plant Handbook in a state program were faced with thousands of dollars in expenditures for facilities renovations. This, incidentally, is on top of the money that most of them spent to make renovations when they were first brought under state meat inspection. In applying for federal inspection, a state inspected plant runs into a mass of paperwork which must be completed prior to the plant being granted federal inspection. The procedure is as follows:

1. The Plant must be reviewed by the federal inspection authorities.
2. Deficiencies must be corrected to bring the plant up to "570" standards.
3. Blueprints must be drawn up and sent to Washington for approval.
4. Label applications must be submitted.

Problems always arise. The approval of blueprints and labels is an area fraught with problems for plants being brought into the federal inspection. After the plant has gone to the expense of preparing the blueprints and waded through the label approval forms, they are frequently returned from Washington with a list of questions and corrections which must be made to the labels and/or blueprints. This often happens to a plant several times before final approval is granted.

But, the major expense is the large number of facility changes that must be implemented, changes which too often have no relationship to or bearing on the wholesomeness of the meat being handled.

Scheduling of Inspectors in Small Plants - When they shift from state to federal inspection, another problem that state inspected establishments face is inflexibility of inspection hours. State programs are generally much more flexible than federal in this regard. A plant which is voluntarily applying for federal inspection is apt to have to rearrange the plant's work schedule to meet the availability of an inspector. These rearrangements can often result in a plant having to reschedule employee's hours to work around the availability of a federal inspector. Obtaining an additional day of inspection on a temporary basis or making an emergency change in inspection hours is often difficult if not impossible. Often an overtime charge is made for small plants requiring federal inspection, even in cases where the inspector is in the plant less than eight hours a day.

SMALL MEAT PLANT OPERATORS FIND IT DIFFICULT TO OBTAIN ANSWERS TO QUESTIONS AND PROBLEMS FROM THE MASSIVE FEDERAL BUREAUCRACY -

Of all objections to federal inspection, this is the one most often voiced and one of the major concerns of small operators who are faced with the decision of applying for federal inspection. The operators of most small plants do not want to face the massive bureaucracy with which federally inspected plants must deal on a regular basis.

In some areas, such as Hawaii, getting a problem resolved under federal inspection means contacting Washington. The time zone differences alone point out the ludicrousness of the federal communications channels on a practical basis. Unresolved problems typically means production halts. Stoppages of hours or days can too readily translate into economic losses which are non-recoverable.

In comparison with the Federal Meat Inspection Program, state program organizational structures are simple and direct. If a problem can't be solved working with the inplant state inspector or his supervisor, the plant operator and/or the inspector can appeal to the state program director. Unresolved problems are handled quickly and without costly delays.

Small plant operators find it extremely difficult to deal with such a complex bureaucracy. They need a direct line of communication with their official policymakers. Speed in solving problems and clarifying policies is crucial to the survival of small plants. Unless they have someone like AAMP assisting them, small meat plant operators under federal inspection must take their problems to a myriad of federal government employees before possibly finding an answer.

People in the state government offices are normally in tune with what is going on in their program, even in the individual plants. There is little or no passing the buck from one bureaucrat to another until everyone is so frustrated that they give up rather than try to solve the problem. Once a decision has been rendered by a state meat inspection director, it is a relatively simple matter for supervisors to insure that the directive is followed by all inspection personnel.

The organizational charts for the state and federal meat inspection programs are similar to the following:

State Meat Inspection Program	Federal Meat Inspection Program:
Inplant Inspector	Inplant Inspector
Circuit Supervisor	Mini-Circuit Supervisor
Director of Meat Inspection	Circuit Supervisor
	Area Supervisor
	Regional Office Staff
	Washington*

(*The organizational chart of USDA's Washington office alone fills a sheet of paper 8-1/2" x 14", without even considering the field offices.)

In contrast, a federal inspector, after receiving a final determination from Washington, is not necessarily bound to abide by the answer because he is closer to the situation and may be aware of circumstances not known to the Washington staff. After hours and days of frustrating phone calls, the operator is often left with the feeling that he has won the fight but lost the battle because the inspector is not under the direct control of his ultimate supervisor and may choose not to abide by national policies.

The closest link in the chain of upper level management in the USDA is the Area Supervisor. The Area Supervisor is often called upon to resolve problems in meat plants under jurisdiction. This often requires that he visit the plant. Now, this closest link is being removed. The USDA is planning to close all area offices. This means that someone in Maine with a problem will have to deal with an Area Supervisor located in Philadelphia. The supervisor may be familiar with the problem at issue but may never have seen it or even know where the town is located.

CLOSE CONTACT BY TOP LEVEL STATE OFFICIALS WITH THEIR EMPLOYEES AND THE MEAT PLANTS UNDER THEIR JURISDICTION MAKES IT MORE DIFFICULT FOR ILLICIT ACTIVITIES SUCH AS BRIBERY AND COLLUSION TO EXIST -

It has been suggested that, because of the kind of direct contact with policymakers which is typical of state programs, there is a proneness to influence by politicians and businesspeople. We have seen no evidence of this. In fact, we suspect that such illicit activities are easier to cover up and hide in a program as massive as the Federal meat inspection program.

COMMUNICATIONS BETWEEN TOP LEVEL POLICYMAKERS AND THEIR FIELD PERSONNEL ARE EFFICIENT -

The additional levels of bureaucracy in the federal program have created the problem of properly relaying information to the lay inspector. When a policy decision is made in Washington, it is relayed from the Washington office to the Regional office to the Area Office to the Circuit Supervisor and then to the lay inspector. The inspector often does not receive the information at all or receives it long after he really should have it. This results in confusion when, through USDA news releases, association bulletins and/or magazines, a policy is announced and the inspector has not yet received official notice of its implementation.

Confusion is also apparent when an AAMP member calls for help with a problem, obtains the information as to Washington's official policy from the AAMP staff and then finds the inspector has no record or knowledge of the regulation or policy which applies to the given situation.

Because of the simple lines of communications in state programs, this problem is almost non-existent. Circuit supervisors and inplant inspectors can be quickly and efficiently advised of policy decisions affecting the plants in their jurisdiction.

POLICY DECISIONS ARE OFTEN MADE IN WASHINGTON BY UNELECTED FEDERAL POLICY MAKERS WITH NO OPPORTUNITY FOR PUBLIC COMMENT -

Changes have been made in federal "policies" which have not been announced through proper rulemaking procedures. One area in which this frequently occurs is in approving new product standards through the label approval process. These "closed door" decisions have often resulted in some confusion and a lot of frustration for meat plant owners. It is rather easy for "policy" decisions to be made and to be buried in the federal bureaucracy. However, at the state level where plant operators have easier access to public officials who oversee the state inspection programs, this kind of problem does not often surface.

FOREIGN MEAT PRODUCTS, WHICH ARE SUBJECT TO LESS INTENSE INSPECTION THAN IS OFFERED BY THE STATES OR THE USDA, ARE PERMITTED FREE ACCESS TO AMERICAN MARKETS. THE SAME PRIVILEGE SHOULD BE GIVEN TO AMERICAN BUSINESSES THAT ARE CONSTANTLY WATCHED -

Foreign meat products from countries having an agreement with the USDA have free access to any market in the United States. Yet, the USDA is not conducting continuous onsite meat inspection in foreign countries which export to the United States. Foreign systems are certified by the USDA as meeting USDA requirements and the foreign governments, with the help of a handful USDA veterinarians, conducts the inspection of those plants exporting meat to the United States.

These foreign programs receive minimal supervision and oversight by the USDA and most have not been visited by a USDA inspector. The state meat inspection programs, on the other hand, receive quarterly onsite checks by the USDA and are often subjected to more frequent visits if a deficiency in the state program is found during the quarterly visit. Yet, this state inspected meat, which is receiving intense inspection by people who are often trained in federal training facilities under a program monitored directly by the USDA, is not permitted the same privilege of free movement into United States commerce which is enjoyed by foreign products. If imported meat, which is often subject to less inspection than domestic meat, is permitted access to U.S. markets, is it fair to deny state inspected meat this same right?

CONSUMER CONFIDENCE IN OUR NATION'S MEAT SUPPLY, INCLUDING STATE INSPECTED MEAT, IS AT AN ALL-TIME HIGH, AND THERE IS NO REASON TO BELIEVE, OR PROOF THAT HAS BEEN OFFERED, WHICH WOULD LEAD ANYONE TO BELIEVE THAT PASSAGE OF THIS BILL WILL CHANGE THIS -

As long as we continue to deny state inspected meat the right to move into interstate commerce and into federally inspected plants, we are saying that state inspected product is inferior and is not to be trusted. We maintain that this is not the consumer's view of inspection. We doubt that most consumers are even aware that both the federal and state meat inspection systems exist nor to what extent their meat is inspected. What they do know is that they are constantly supplied with wholesome, quality meat. Consumers in 26 states continue to express their confidence in state inspected meat by purchasing and consuming millions of pounds of state inspected meat every year.

The argument that consumer confidence in meat will be undermined by allowing state inspected products to be shipped interstate is ludicrous and unfounded. We have yet to see any evidence, study or indication that this is true. Some of our nation's top meat products, evidenced by the fact that they are annually winners in national competition, are produced in state inspected meat plants. These products are as successful as they because of their excellence and high quality.

THE PRESENT RESTRICTIONS DO NOT ALLOW SMALL PLANTS TO SERVE THEIR NATURAL MARKETING AREAS AND INHIBITS THEIR GROWTH -

Meat plants operating under state inspection cannot now serve their natural marketing areas because of restrictions in the current law. This means that plants ten, five, even one mile, from a state line are restricted from serving their natural marketing areas. They must pay a penalty in their advertising costs because newspapers, periodicals, radio and television stations base their rates on the number of readers or audience reached. Paying full rates for advertising when the law does not allow them to serve those reached by the advertising is a compounded penalty for small plants operating under state meat inspection.

There is an artifical and political barrier to the growth of these small businesses that are forced to stagnate. By not allowing them to expand beyond political boundaries, they are required to remain small or face expensive technical and administrative programs of the Federal inspection system.

LIVESTOCK PRODUCERS PAY A PENALTY OF LESSENED COMPETITION UNDER THE PRESENT LAW -

A small plant that is allowed to serve its natural marketing area without regard to political jurisdictions increases its volume. That means it buys more cattle, hogs, lambs, chickens, turkeys and veal animals. To the livestock producer, that means increased local markets and better competition for his animals. It translates into profits for the livestock grower. Simply by being able to sell more animals two or three miles away from the farm instead of trucking them hundreds of miles to major packing plants means less expense and greater profit for the producer.

CONSUMERS WOULD BE REWARDED WITH MORE VARIETY AND COMPETITIVE PRICING -

Consumers would be the greatest beneficiaries of this legislation. Many areas of the country feature meat items that are not available elsewhere. Small, state-inspected plants would be able to introduce their regional or ethnic products into area where they are currently not available. The opportunities for mail-order and catalogue sales by small firms would be greatly enhanced by this legislation.

STATE AND FEDERAL PLANTS WOULD BE ABLE TO COOPERATE AND OPERATE MORE EFFICIENTLY -

Present law allows a federally inspected meat plant to buy meats from Australia, New Zealand, Argentina or European countries and ship them into interstate commerce as processed or fabricated products. Yet these same federal plants cannot buy meats from small, state inspected plants that produce the meats and other raw materials that they need. Thus, we see a scenario of plants in the same town that cannot trade with one another, stiffling the efficiency and economic growth of both facilities. Nor can federal plants subcontract or "job out" work to smaller state-inspected facilities. Many federal plants find it necessary to subcontract smoking, slicing, private labeling, breaking or other operations, either as a matter of course of during seasonal or peak times. Present law prohibits them from engaging in these mutually beneficial arrangements if a state-inspected plant is involved. The consequence is that federal plants must pay expensive shipping costs to have such work done or do it themselves with new equipment that will be used only occasionally and with workers who will be facing layoffs after those peak or seasonal periods.

FIVE THOUSAND STATE-INSPECTED PLANTS ARE PROHIBITED FROM BIDDING ON MOST GOVERNMENT MEAT CONTRACTS UNDER PRESENT LAW -

Federal government meat purchases for the military, school lunch programs, prisons, hospitals and other institutions are off-limits to 5,000 state-inspected meat plants because that product must be shipped across state lines. The lessened competition and higher prices that the government and taxpayer endure are totally unwarranted, but are yet compelled by the present restrictions. Many schools, institutions, etc., receive meats from federal government purchases in large quantitities or in forms they cannot handle. They commonly take them to be stored, processed, sliced, or further handled in small, local state-inspected meat plants .....plants that were originally forbidden to have bid on those government contracts. Local school districts and other entities pay additional storage and processing costs at further cost to the taxpayer.

CLOSE COOPERATION BETWEEN USDA AND STATE PROGRAMS IS ESSENTIAL IN CONTINUING TO SUPPLY AMERICAN CONSUMERS WITH THE WHOLESOME, UNADULTERATED, PROPERLY LABELED PRODUCT TO WHICH THEY ARE ACCUSTOMED -

One point needs to be made absolutely clear. In no way should any of the criticisms of the Federal inspection program we've presented be considered as a condemnation of the federal meat inspection programs. The program is needed, has been well run and, judging by the low incidence of illness and death related to consumption of meat which has been inspected by either federal or state officials, the both programs have accomplished their goal of providing consumers with a continuous supply of wholesome meat.

The federal program has its place in inspecting large plants, in dealing with export problems, providing guidance and assistance to the states in maintaining their programs and providing laboratory capabilities. Large packing plants need the assurance that they can produce meat in one state to sell it in other states without having to subject the product to differing standards in different states.

State inspection programs also have their place alongside the federal program. It is our experience that, by and large, small meat plants function more efficiently and economically under state inspection programs because of the less cumbersome bureaucracies in state programs.

It is time to recognize that the monumental task of providing the American consumer with a safe, wholesome supply of meat cannot be accomplished by the federal government alone. The close cooperation which has develcped between the state meat inspection programs and the federal inspection program is evidenced by the large part state meat inspection programs played in the recall of Australian horse and kangaroo meat. This cooperation and pooling of resources between the states and the federal government should be encouraged.

Ultimate responsibility for assuring that a safe supply of meat enters interstate commerce lies with the USDA. They have demonstrated for years that this responsibility can be safely and economically met through cooperation with the state programs. Far from abdictating their responsibilities, the USDA has met the challenge with foresight and with the best interests of the consuming public in mind by continuing to foster the state meat inspection programs.

SUMMATION -

Both state and federal programs are needed. The USDA and the state programs need to work together, complementing each other's programs, without the constant feeling that the state system is inferior to the federal.

The state programs are doing a tremendous job of providing consumers in their states with a wholesome supply of meat. The passage of legislation to permit the interstate shipment of state inspected meat products would be a step in the right direction in eliminating the feeling of competitiveness which has always seemed to prevail as these programs are discussed.

STATEMENT OF DALE TURNMIRE, EXECUTIVE SECRETARY, IOWA MEAT PROCESSORS ASSOCIATION, CRESCO, IOWA

Position Paper

The Iowa Meat Processors Association, IMPA, is a non-profit trade association representing small and medium size processors in the State of Iowa. Our membership includes 210 plants and 73 supplier members. The majority of the members businesses are family owned and located in every county in the State of Iowa. Our association is the oldest and largest of its kind in the United States with 46 years of service to the industry.

At the present time all of the membership, with the exception of two Federal plants, are under the supervision of the Iowa Meat & Poultry Inspection Department of the State Department of Agriculture, as provided for under the Wholesome Meat Act of 1967, and a subsequent identical bill passed by the Iowa Legislature. There are several types of inspection provided: "Custom Exempt" plants are plants which do strictly processing of non-owned livestock brought to the plant for slaughter and processing by farmers; these plants are regularly inspected for sanitation by the Department. "Offical Processing" plants are those who manufacture products to be sold at wholesale or retail by them or some other retailer. "Official Slaughtering & Processing plants are those who slaughter live animals under inspection for resale and also provide the functions of the aforesaid "Official Processing" plants.

SUPPORTIVE STATEMENTS FOR PASSAGE:

STATE MEAT INSPECTION PROGRAMS ARE EQUAL TO FEDERAL MEAT INSPECTION PROGRAMS:

State and Federal programs operate under identical laws and regulations governing inspection. As in most cooperative Federal-State programs identical bills must and have been enacted and regulations adopted to administer the legislation.

In Iowa, State Lay Inspectors and Area Supervisors are trained in Federal training schools and must pass the same requirements as Federal Inspectors.

State programs are supervised and evaluated by Federal Inspectors quarterly to certify "equal to" requirements of the 1967 act

Either the States are doing the job or they are not. The system as it now exists has been operable for 16 years; if the State programs are not "equal to" it is not the fault of the existing programs BUT the fault of the Federal system which supervises and certifies them. We do not maintain that the State systems are all identical to the Federal, no more than any program can be identical when dealing with the human element, pre-existing physical properties of plants or equipment, or other variences which might affect anything being "identical" persay. However, when it comes to labeling requirements, post mortem and antimortem of animals for slaughter, basic sanitation requirements, regulations as to product content, internal temperature of finished product,

cooking requirements, use of Federally approved equipment, Federally approved cleaning and sanitizing products, etc., the requirements for the State program are identical to.

There is one aspect of inspection and the marketing of meat product in the market place which is usually misunderstood by most people with regard to protecting the consumer from misbranded or adulterated meat. The Wholesome Meat Act of 1967 makes it the responsibility of the Federal Government Compliance division to see that adulterated or misbranded meats are not sold to the consuming public and that the Compliance division shall enforce the provisions of the act. In other words, retail markets and supermarkets are exempt under the provisions of the 1967 act, however should anyone in these businesses violate the provisions of the act and sell adulterated meat or misbranded meats, Compliance has jurisdiction. Theoretically if the Compliance Division of the USDA is doing its job no matter who is in charge, Federal Inspection, State Inspection, or even exempted from inspection, the consumer marketplace would be safe.

STATE PROGRAMS ARE MORE ECONOMICAL THAN FEDERALLY ADMINISTERED PROGRAMS:

Historically, cooperative programs in many fields that are being administered by the State Agencies are run more economically than Federal programs in those states dealing with the same regulations which some states have not chosen to administer. There are many cooperative Federal/State programs, and almost without exception the cost of administering the programs Federally alone has skyrocketed once the cooperative agreements have been nullified.

Meat inspection is a dramatic example of one of these Federal/State programs. Missouri's Governor chose to turn the Federal/State Meat Inspection program over to the Federal government, not because it felt it was not doing an "equal to" job or because the Federal Government was "designating" them for not doing and "equal to" job, but because it was felt that the 50% which the state must contribute was an unwarrented expenditure. The plants beirg inspected did not agree but were powerless to do anything else. The net result has been an expansion in monies expended for inspection by the Federal government of almost 4 fold, plus a reduction in inspection of "custom exempt" plants to a point of almost non-existence, and the growth of "bootleg" or unsupervised plants in the custom exempt area.

It is also costly to deal with the Washington bureaucracy in the matter of labeling, equipment approval, and changes in plant construction, where final approval on these items must be made. Anyone can see the economics of dealing with these approvals from Des Moines, Iowa versus Washington, D.C.

SMALL PLANTS APPLYING FOR FEDERAL INSPECTION FIND THE PROCESS VIRTUALLY IMPOSSIBLE:

Most people fail to understand that it is not a breeze to become a Federal plant. The argument is presented, "After all, state systems are equal to federal programs and must abide by federal regulations, so it should be easy to apply for and receive federal inspection". It should be, but it is not. Some of the problems are:

FACILITIES REQUIREMENTS: The main hurdle facing an existing small plant in applying for federal inspection, is the facility requirements as set forth in "Handbook 570".

If one is just entering the meat processing field or is building a new plant, the requirement of "Handbook 570" is not unreasonable and in most cases will result in an excellent plant being built. In the case of a SMALL plant handling 5-25 head a day, some of the requirements have dubious value and may be economically unfeasable. However, the majority of the small meat plants in Iowa were built between 1935-1955, long before the Wholesome Meat Act of 1967 was passed. Though most of these plants are a far cry from the technology of today put down in "570", they non the less can produce a clean and wholesome product.

It is not hard to see that cost of raising the roof in a processing plant so that one can raise the rail height, so that full sides of beef can be handled, rather than quarters, as the plant was originally designed for, would raise serious economic reasons for not becoming a Federal plant. It should also be noted that many Federal plants are being presently operated, which could today not be licensed as federal plants because of design deficiencies. These plants are allowed to operate so long as a clean wholesome product can be manufactured and no physical changes are made without meeting Handbook 570 requirements.

It is also interesting to note that in states that are "designated" for Federal take-over, for some reason those that are "Official Processing or Slaughtering" facilities, they are granted Federal status and are allowed to operate under existing physical conditions and are not required to bring the plant up to Handbook 570 standards. Individual plants cannot make application, only if the state is "designated" are the existing plants accepted under the "federal facility requirements for small existing meat plants"!!

SMALL PLANTS AS A MARKET FOR LARGE FEDERAL PLANT RAW MATERIAL:

For some reason, the large Federally approved packer is in opposition to State Inspected products crossing State lines. It is our contention that these packers have not done their marketing homework. It is felt that the small plants will be in direct marketing competition so therefore they are opposed. If the facts were known, the small processor is probably one of the large packers better customers for quantity purchases of raw material for the manufacture of specific specialty items. For example a plant that specializes in the production of Smoked Beef Round is not going to kill 25 head of cows a week to provide him with the 1000 lbs of inside rounds he needs per week. He would have no outlet for the 19,000 lbs of meat the 25 head would produce. If the facts were known, most small plants that would benefit by this law would further compliment the large packers and become an even more profitable customer for them.

TWO INSPECTION LEGENDS, STATE & FEDERAL, IN THE MARKET PLACE:

The Iowa Meat Processors Association feels that this is a very desirable part of the proposed legislation. We in Iowa, and most mid-western states have done much to promote our state individual products. Under the present system of state legends and federal legends, within the states having inspection programs, there is no feeling of inferiority of state inspected products. On the contrary, many, many people have confidence in programs administered by the states. States maintaining the "equal to" status and expanding the marketplace to neighboring states, would redouble their efforts to meet present standards, since state pride for all products marketed and the credibility of those products would be further expanded.

PRESENT SYSTEM IS INHIBITING THE EXISTENCE OF SMALL LIVESTOCK PRODUCERS:

Through no fault of the large packer, centralization of facilities because of economic conditions is virtually eliminating small farmers from raising 25-50 head of cattle, and small numbers of hogs per year. Small meat processors are being called upon to buy animals from small producers, who are presently having to haul livestock 100 to 250 miles to find a market. In the State of Iowa there is no federally approved beef slaughter facility from Des Moines east until you reach the Mississippi river. Interest in bidding on 10-25 head raised by a small producer is next to nil and subjects the producer to a less than fair market. Expanded markets which this bill could provide might help this situation.

SUMMATION:

The state programs are doing a tremendous job. They inspect more plants than the federal system. There has not been an illness or death in association with the consumption of state or federal inspected products in the marketplace. Wholesome products ARE being produced and have been during the past 16 years.

The system as it now exists under the Wholesome Meat Act of 1967 has passed the test of time. The system that has been developed is "equal to" and has been certified as such. It is time that the rights and privileges of being "equal to" are passed on to the state inspected facilities.

STATEMENT OF JOHN CARR, DIRECTOR OF PUBLIC AFFAIRS
THE NATIONAL MEAT ASSOCIATION

The National Meat Association shudders whenever the issue of interstate shipment of state inspected meat surfaces because it clearly carries with it the potential to confuse our customers; tarnish our hard-won image for wholesome and uniform meat products; and endanger our overseas markets.

This association represents packers and/or processors nationwide. Our members include many of the most successful meat plant operators in the industry. For the most part they operate federally inspected plants and many do business overseas.

The plants which operate under state inspection do so by conscious choice. At some point, each plant had the opportunity to go federal and declined. No plant is denied the right to operate under federal inspection.

These plant owners and managers, for whatever reasons, feel the advantages of the various state programs governing them outweigh the disadvantage of not being able to trade in interstate commerce.

It should be noted, the federal government goes the extra step under the Talmadge-Aiken Act. This program allows state inspectors to enforce federal regulations and Washington pays 50 percent of the costs.

State-inspected plants cannot legitimately say they are denied the opportunity to trade in interstate commerce. They can, at anytime, apply for federal inspection. All they must do is meet federal requirements.

Discrimination is not a valid argument for this legislation. But there are several valid arguments why this legislation

(S. 593) should never become law. As noted in our opening sentence, our concerns center around these issues:

- Consumer confusion;
- Public doubts about product uniformity and wholesomeness; and
- Overseas markets endangered.

CONFUSION

The last thing the meat industry needs is for doubts or confusion to creep into the public's thinking about meat.

For the past few years, the industry has been bombarded by animal rightists, self-appointed diet-health experts and out-right opponents who have used such issues as the nitrite scare to turn people away from meat and meat products.

We are justifiably concerned that this legislation will provide the naysayers another opportunity to take potshots at our industry and our products. We assure you the industry, wracked by a yet-to-recover economy, can ill afford to lose customers or see the goodwill it has earned eroded by faulty legislation.

Yet, it is most conceivable, should this legislation become law, that those who oppose meat consumption will broadcast far and wide that the federal government is shirking its duty by turning meat inspection responsibilities over to the states.

At best, consumers will be hard-pressed to understand why a product bought in one state carries the inspection legend of another state.

UNIFORMITY

This concern ties directly into the one discussed above. Consumers will be more concerned about product uniformity if they encounter products bearing various state inspection labels.

The federal government has gone to a great deal of expense over the last 16 years to build consumer confidence in the wholesomeness and uniformity of federally-inspected meat and meat products.

To assure product uniformity, regardless of where it is produced, the federal inspection program requires participating plants to meet the same requirements for construction, sanitation, labeling (product formulation), inspection and processing. Consumers, through government and industry education programs, know this and have confidence in the end product.

U.S. Department of Agriculture Food Safety and Inspection Service Administrator Donald Houston, appearing before the Agriculture Research and General Legislation Subcommittee of the Senate Agriculture Committee, testified in 1979:

> "The federal inspection system was designed to produce uniformity and confidence for consumers in the safety of the meat supply. The mark of federal inspection assures consumers that meat has been examined by inspectors who enforce the same standards nationwide, and that it has been slaughtered and processed in plants that must adhere to the same national standards." (Emphasis added.)

Now, this legislation proposes to change this proven system. Instead of having one set of requirements for construction, sanitation, labeling, inspection and processing, there will be many. Twenty-seven separate state standards plus the federal standards.

Granted the proposed legislation seeks to erase this worry by re-emphasizing that state programs must be "equal to" the federal program. But, the question of semantics plays a major role in this issue and cannot be overlooked. No matter how it's phrased, "equal to" does not mean "identical to" or "the same as."

Dr. Houston, again from his 1979 testimony, said that while "states must meet certain standards to assure the wholesomeness of meat," there may be "considerable variation in the way states choose to meet those standards." (Emphasis added)

It requires only a brief look at the historical difficulties state-inspected plants have encountered when switching to federal inspection to see that there are differences between the state and federal inspection programs. Time and again, before state-inspected plants can change over, they must make improvements in these areas:

- Physical facilities: Modifications, such as raising the rail, adding more drains, adding a room for inspectors, changing ceiling material, etc.

- Product formulation: Labels must be changed because product formulations (allowed under state-inspection) do not meet federal standards of identity.

ENDANGER OVERSEAS MARKETS

The association believes this legislation would jeopardize future trading of meat and meat products. It is economically unwise to upset foreign customers--especially at a time when we face increasing problems trying to reach fair and equitable trade agreements on meat. It would be most imprudent to provide our overseas trading partners (a word we use with some hesitation) an excuse to refuse our product. These partners, especially those in the European Economic Commuinity, already can find more than enough reasons to say no to our products.

Countries that import U.S. meat and meat products have faith in our federal inspection system. The U.S. inspection program has grown in stature until it has become the standard which the rest of the world measures their programs.

But foreign countries know little, if anything, about our various state programs; have no faith in them; and have no intention of accepting product that is either wholly or in part produced under state-inspection.

This legislation attempts to alleviate concerns in this area. But, sadly, we believe what sounds good in theory will not work out so easily in reality.

The legislation mandates that state-inspected product or items made with such product must be segregated in fedeally-inspected plants that engage in foreign trade.

We contend that doing that will be a difficult, if not an impossible administrative headache.

To enforce this segregation will require a new layer of bureaucracy that will have to be both deep and wide to be an effective roadblock. The cost to the federal government will be considerable.

SUMMARY

Assessing the risks and benefits involved, the meat industry has nothing to gain and everything to lose from this legislation.

The states and U.S. Department of Agriculture are championing this legislation for selfish reasons: As a carrot to entice the states to retain their state inspection programs and for the state legislatures to continue to fund them.

The impact of the legislation is minimal in one respect. But, please don't let this fact minimize the repercussions it can create.

Only 3 percent of the total red meat and 1 percent of the total poultry produced in the U.S. is produced in state-inspected plants. But as we've carefully pointed out, the consequences of this legislation reach deep into the nation's meat business and its reputation for reliability.

We encourage members of this committee to weigh carefully both sides of this issue. See if you too don't agree that the risks far outweigh the benefits.

The architects of the 1967 Wholesome Meat Act never intended for state-inspected product to enter into interstate commerce. Rather, they predicted there would be only one federal meat inspection program for all meat products within 10 years. They never anticipated that state programs would survive or that a bill would be introduced to allow state-inspected plants to trade in interstate commerce.

The National Meat Association sees no need, either urgent or beneficial, to steer away from this precept. The federal inspection program, over the last 16 years, has proven to be efficient and effective. Meat customers, both in the U.S. and around the world, have confidence in the system and rely on it to produce uniform, wholesome products.

Why change? Why risk losing consumer confidence and jeopardizing foreign markets just so state-inspected plants can engage in interstate commerce? There are no compelling answers to these questions that makes this legislation necessary.

On the contrary, we believe this bill (S. 593) is irrelevant because any state-inspected plant can engage in interstate commerce...if...it is willing and able to meet federeal standards.

Rather than weaken the fedeal inspection program, we recommend the government concentrate on strengthening it. The federal progam has worked, does work and will continue to work in the best interest of everyone involved.

Thank you. The National Meat Association appreciates this opportunity to make this testimony part of the official hearing record. We welcome your questions and would be happy to discuss this matter with you or provide any additional information the committee might require.

STATEMENT OF
LARRY D. WOODSON
REPRESENTING
NATIONAL ASSOCIATION OF STATE MEAT AND FOOD INSPECTION DIRECTORS

My name is Larry D. Woodson, Director of the Kansas State Meat and Poultry Inspection Program. I am currently serving as President of the National Association of State Meat and Food Inspection Directors, an association composed of 27 state directors who administer state inspection programs which have been certified as "equal to" the federal inspection program.

We appreciate the opportunity to present information on behalf of the state inspection systems; systems which by comparison to the federal system are small, yet have been repeatedly declared to be "equal to" the federal system. My statements on behalf of our state programs are in support of SB 593 which will allow state inspected products into interstate commerce.

We believe that the Wholesome Meat Act was passed with the intention of providing our nation with a continuous and safe supply of meat and poultry food products. We further believe that this objective will not be jeopardized if SB 593 is passed.

Our concerns are directed toward the discrimination against the more than 4,000 or more individually and family owned meat processing establishments which have been denied equal and fair access to interstate markets. These small business enterprises, strategically located throughout the small communities of the states represented provide a considerable portion of the fresh meat and poultry products consumed in these communities, free of transportation costs involved in the shipment of livestock or the shipment of meat products often located miles away.

Many of these small establishments are located in the more remote areas of our nation and require both flexibility and less than continuous inspection.

The state inspection programs which regulate these establishments have been in operation for over twelve years and each of the 27 state programs have been repeatedly certified as "equal to" federal. These evaluations have been conducted on a quarterly basis in each and every state by federal program reviewers. Over this period of time we have seen the state programs mature and develop under the guidance and supervision of the federal program. We have seen the benefits of the reviews, the education and training, and correlation sessions between state and federal inspection personnel. We have seen the upgrading and improvement of these small family owned businesses. We have seen their interest and participation in seminars and workshops designed by universities to enhance the quality and the marketing of their products.

In addition to the 27 formal federal-state programs, we find several states with identifiable programs being operated in order to provide consumer protection in areas or voids left by the federal inspection program in the designated states. The state of California, for example, continues to provide state inspection for rabbits, squabs, mobile slaughter operations, and for smaller volumes of chickens and turkeys, that have been exempted by the federal system. State inspection programs provide inspection to the low volume and sometimes seasonal plants at less expense than what federal could provide. State programs are better able to monitor and prosecute illegal slaughter and processing operations that move potentially unwholesome products into intra-state commerce. This can be done more efficiently and effectively by our state programs.

We support SB 593 because we believe that these small community oriented businesses provide a service to smaller communities and businesses and that their market area should not be determined by artificial borders located one block or one mile from the establishment. We believe that the grass roots of our country the strength of our great nation is represented by these small businesses, located in the small towns and communities.

Within these small communities are restaurants and retail stores that cannot justify minimum meat orders often required by the major packers. Schools and rest homes are often faced with the same dilema. State Inspected slaughter and processing establishments often located only miles away cannot service these accounts because they happen to be just across the border.... a border that was established artificially.

We believe that the passage of this bill could give added strength to the state inspection programs. This could reverse the direction that we have seen where states have discontinued their state inspection programs for budgetary reasons. The failure of any state program adds additional burdens on the federal government and is more expensive to the indivdual American taxpayer in the final analysis. Legislators in several states have recently considered the reallocation of state general funds and terminating the 50:50 funding agreement which provides the life blood of state inspection programs. Kansas, Arizona and South Dakota heard proposals to discontinue their programs this year. We also believe that the passage of this bill might encourage other states to reestablish their programs. New Hampshire has recently considered going back to a state inspection program.

Dr. I. Dale Richardson, Director of the Indiana State Program, testified before the House Subcommittee on Livestock, Dairy and Poultry last year and he pointed out that a large volume of federally inspected products are further processed under state inspection which then restricts the movement of these products. After being processed under state inspection, they cannot move in interstate commerce nor can they be sold to federally inspected establishments.

During a 12 month period, 114,078,318 pounds of red meat were processed in Indiana of which 82,273,066 pounds originated at state inspected slaughter plants. This is 114 million pounds of product that cannot leave the state. The problem was even more obvious when looking at poultry products. Fourteen million pounds of poultry was futher processed under state inspection while only 898,565 pounds originated from state inspected slaughter.

Do you believe that some 43-45 million pounds of federally inspected red meat and poultry products should be discriminated against simply because it was further processed in Indiana under a state inspector?

This same state inspector met the same basic guidelines for employment as his federal counterpart. He was trained by either state or federal personnel utilizing materials, films, books, etc. provided by the federal program. The state inspection system had been certified as being "equal to" federal and recertified on a quarterly basis by federal reviewers. More often than not, he is also administering almost identical laws and regulations, which were a prerequisite for having an "equal to" program in the first place.

If we look at the state of Kansas, we find figures that compare with those from Indiana. Our figures indicated that 40 million pounds of red meat was slaughtered under state inspection. An additional 52 million pounds of federally inspected product was further processed under state inspection. Thus, 92 million pounds of meat and poultry products were taken out of the interstate commerce.

With the collective volume of meat and poultry food products that are processed under state inspection and consumed in the 27 states with state programs, I must conclude that the houshold consumer does not lack confidence in the state inspection legend. Certainly the consumer is making choices each and every time he or she purchases food as state inspected, federal inspected, and foreign inspected products are found in the same meat or poultry display case.

Since the passage of the Wholesome Meat Act in 1967 and the establishment of companion inspection systems, state and federal, we have seen alot of marketing and technological changes in the industry. Both programs have accepted the challenge of keeping abreast of the changes with new regulations, more training, more scientific laboratory testing procedures, and a much improved program in general. Both the state and the federal programs are strong, responsible, effective and are striving to be responsiveto the needs of the American Consumer. These programs insure that the nation has a continued supply of wholesome, unadulterated and properly labeled meat and poultry products.

In conclusion, we solicit your support of SB 593. We believe that consumer protection would not be jeopardized nor sacrificed by the passage of this bill and that the operators of small meat and poultry plants should have access to the marketplace, without geographical restrictions, and that they should have the freedom of choice as to the inspectional service under which they operate.

DUTY PACKERS,
Hobart, Okla.

Senate bill 593: additional comments.

The meat industry is going through some very drastic changes and this is only the beginning. I will attempt to explain my views on the past, present and future of this business as seen through the eyes of a small business man.

BEEF MARKETING

Past: Packer to Retailer to Consumer.

In the past, beef was marketed by many large, medium and small plants to independent grocery stores and small chain stores, such as United Super Markets and Puckett's Food Stores.

Present: Packer to Retailer to Consumer.

With the development of boxed beef, over 80 percent of all beef slaughtered is done by 12 plants. The beef is shipped from the packing house to the grocery warehouse and then to the retailer. I am not complaining about this concept. It is an excellent idea and has resulted in a better, more consistent product reaching the consumer. However, the small processor is almost totally out of the market—immediately—because:

1. Boxed beef requires less experienced personnel in the grocery store butcher shop.
2. Capital outlay and volume required is cost prohibitive for the small business man.

Future: Packer to Consumer.

Vacuum-packaged beef and pork will be shipped from the packing house to the grocery warehouse and then to the retailer. The difference being that the product will already be cut into vacuum-packaged retail cuts.

Would you be interested, as a grocer, if Iowa Beef Processors approached you with the following concept?

We will cut your beef and pork into retail cuts in a vacuum-package, deliver it to the frozen food warehouse every day and they in turn will deliver to your stores three times a week. Your benefits will be:

1. Eliminate almost all labor cost in each supermarket.
2. Drastically reduce storage space.
3. Reduce energy cost.
4. Standardize cuts and prices throughout the supermarket industry.
5. Achieve product balance by matching the cut of the animal to the area with the most demand for it.

This idea of marketing is already a reality in the poultry industry. The effect on the small meat processor and meat packer is drastic. He immediately loses his source of volume.

HOTELS, RESTAURANTS, INSTITUTIONS

A large percent of these operations are not chain operations. They have their own plants to purchase raw materials in huge volumes, process it in their own plants and distribute through their own system. This is another area in which once was a source of volume for the small processor. It, too, is quickly vanishing.

We are not against these changes. We only want the opportunity to change our sales strategy. Without the passage of Senate Bill 593, our hands are tied.

Thank you,

BYRON HETHERINGTON, *Owner.*

MEAT AND POULTRY ASSOCIATION OF HAWAII,
Honolulu, Hawaii.

This is the way I understand the present Inspection Service functions in the state of Hawaii:

A. State inspection.
B. TA inspection.
C. USDA inspection.

If the USDA plants need fill-in inspectors, the veterinarian inspectors, contacts the state supervisor inspector and he supplies him from his pull of 14 to 16 inspectors he has that are qualified and certified for cross utilization for State, TA and USDA plants. When this service is used by the USDA they pay a fee to the state for the service to the state of Hawaii.

Between our state inspection being constantly monitored by the USDA under the Wholesome Food Act, and TA inspection having the rights and privileges as USDA plants, and being administered by the states, as well as all TA inspected plants are in the United States must leave no doubt the state inspected plants should be granted interstate movement of their products. The USDA recommending this action proves that they are in complete control of the inspection at all levels.

Those that oppose the passage of this legislation leads me to believe they do not want to have any business opposition from the small operators. I don't believe nor can I conceive it is the desire of the small operator to put the big packers out of business.

Approximately, 70 percent of the meat used in Hawaii comes from the mainland. Passage of this long overdue legislation would give an opportunity to the borderline states 8 inspected plants to ship their products, in some cases across the street, and also give the states having state inspection and producing ethnic type products to ship them between states.

JERRY GORDON, *Secretary.*

STATEMENT OF PAUL B. DOBY, D.V.M., SUPERINTENDENT, DIVISION OF MEAT, POULTRY AND LIVESTOCK INSPECTION, ILLINOIS DEPARTMENT OF AGRICULTURE

Mr. Chairman and Members of the Committee: I am Paul B. Doby of the Illinois Department of Agriculture. I am appearing before you in support of S. 593.

When the Wholesome Meat Act of 1967 was approved by Congress, there was justification in prohibiting State inspected meat and meat products from moving interstate. There has, however, been a drastic improvement in the quality of State meat inspection since 1967. The states have achieved standards which are not only "equal to" Federal, but in certain areas surpass the Federal standards to which they have been compared. There is no longer justification for prohibiting State inspected meat and meat products from moving interstate.

"Equal to" means the programs achieve an equal level of wholesomeness, but the programs are not identical. There are some significant differences between the requirements for a small establishment under State inspection and a large establishment with a grant of Federal inspection. These differences have been carefully evaluated so that none of the variances permitted for small establishments affect the wholesomeness of the product produced. The reviews conducted by the USDA's Program Compliance and Review Staff several years ago attested to the quality of State programs.

Generally, the states have strong compliance programs to assure that only wholesome meat is offered for human consumption. The question has been raised about the ability of the State programs to manage a recall of product if a safety hazard was revealed. The answer to this question came during the "kangaroo" meat scare. The State programs were very instrumental in locating the suspected shipments within their borders in both State and Federal facilities. Federal officials have commented that the detection of the suspected shipments would have taken months to accomplish without the participation of the states.

The compliance activities of the states have contributed in other ways to the success of the Federal-State cooperative agreements. State compliance personnel are often sought out by Federal officials to aid in the investigation and prosecution of violators.

State and Federal inspection personnel receive the same training and use the same training facilities. This contributes to standardization and economy of the training process.

The U.S. Department of Agriculture has been monitoring the State programs for sixteen years and has continually certified the State programs as "at least equal to" Federal. The two systems work together as equal partners in accomplishing the same objectives.

The Illinois Meat and Poultry Inspection Program and other State programs are operated identical to the Federal program insofar as slaughtering and processing regulations. The Illinois General Assembly recently approved legislation which will adopt a major portion of the Federal Meat Inspection Regulations as the Illinois operating rules, pending approval by the Governor.

Opponents to S. 593 have cited the possibility of a trend of Federally inspected establishments reverting to State inspection. I do not believe that this trend will develop. Human nature is resistant to change and changing to State inspection would be a drastic move for many of these establishments that have been under Federal inspection for years. If such action occurred, I am certain that the states would enact legislation to stop the move from Federal to State programs. The State programs have now adjusted to their present work load which ideally should not be drastically reduced or increased.

Thousands of tons of meat and meat products are imported from establishments in countries where the Federal government conducts less compliance surveys than are performed in the State plants in this country. Why do we accept meat from an establishment in Mexico or Australia that has less U.S. government supervision than a plant in Kansas or Illinois?

As you have heard throughout this testimony, the State programs have become a vital link in the total meat and poultry inspection process and have assumed the true status of "equal to" their Federal counterpart.

In closing, Mr. Chairman and members of the Committee, I ask you to consider that there is a philosophical reason for the enactment of S. 593. The Wholesome Meat Act of 1967 stated that State meat inspection programs must be at least "equal to" State inspection. We are equal. Why should we continue to be treated as the "poor relative"?

I respectfully ask for your approval of S. 593.

STATE OF ALABAMA,
DEPARTMENT OF AGRICULTURE AND INDUSTRIES,
Montgomery, Ala., July 15, 1983.

Attention: Kelly Eversole.

Hon. DAVID L. BOREN,
Committee on Agriculture, Nutrition and Forestry, Russell Senate Office Building, Washington, D.C.

DEAR SENATOR BOREN: Alabama has 125 meat and poultry slaughtering and processing establishments under State inspection. These establishments are being periodically reviewed by Food and Safety Inspection Services (FSIS), USDA, and are being found to be equal to federal inspection. Although these plants are certified by FSIS as equal to federal inspection, meat and meat products marketed from these establishments are not allowed to be sold outside the State of Alabama. This restriction of products from equal to-state inspected facilities is due to the Wholesome Meat Act passed by Congress in 1967. This Act specifically restricts the marketing of products from equal to-state facilities into other states.

This restriction discriminates against Alabama meat plants in that they are required to be equal to federal inspected plants but are not allowed to market their products competitively with establishments under federal inspection. Legislation (H.R. 1795 and S. 593) currently pending in Congress would permit the interstate shipment of meat and meat products from equal to-state inspected slaughtering and processing establishments. Let me urge you to support and to actively promote the passage of this legislation, which would remove this discriminatory restriction on state inspected-equal to establishments and allow their meat products to be marketed across state lines.

Your efforts in obtaining passage of this needed legislation would be greatly appreciated.

Sincerely,

ALBERT MCDONALD, *Commissioner.*

ALABAMA MEAT PACKERS AND PROCESSORS ASSOCIATION,
Birmingham, Ala., July 18, 1983.

Hon. DAVID L. BOREN,
Committee on Agriculture, Nutrition and Forestry, U.S. Senate, Washington, D.C.

DEAR SENATOR BOREN: The good ole boys who own and operate State Inspected Meat packing and processing plants down here in Alabama sure do need your help.

Our plants are inspected regularly and I do mean regularly, by some of the toughest inspectors in the business and that's good; good, because we want to be doubly sure that our customers get the finest most wholesome and affordable meat product possible. We are private enterprise folks trying to make a living . . . pay our taxes and stay in business. Yet, the Wholesome Meat Act of 1967 tells us that we cannot sell our products across a State line. I am sure that these state inspected Meat Plants in Oklahoma have just as good a products as we do here in Alabama . . . yet they are regulated to sell their products only in Oklahoma . . . what happened to the Free Market place?

Who is afraid of the "Big Bad" Wolf? (competition) Nobody if our hands and feet are untied (passage of S. 593), but without help through legislature such as S. 593 there will be less and less competition . . . and higher and higher consumer prices.

I would honorably request your support of Senate Bill S. 593 in Committee as well as on the Senate floor.

Sincerely,

STEWART P. MCLAURIN,
Executive Director.

NATIONAL CATTLEMEN'S ASSOCIATION,
Washington, D.C., July 20, 1983.

Hon. DAVID L. BOREN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BOREN: The National Cattlemen's Association commends you for conducting hearings on S. 593 which would permit the interstate distribution of certain State-inspected meat and poultry products.

The purpose of inspection under the Federal Meat Inspection Act is to assure consumers that meat and meat food products are handled and processed in such a manner as to be wholesome and safe for human consumption. To that end there can be no legitimate objection.

The Federal Meat Inspection Act requires a state to apply to the Federal government for certification of its meat inspection program as being "equal-to" that of the Federal inspection system. However, the product from an "equal-to" plant is not allowed to move directly into interstate commerce, nor can such product be sold to a federally inspected plant for movement into interstate commerce.

Apparently, a major controversy has existed because of "Handbook 570" which set forth certain physical facility specifications a plant must meet prior to its approval as a federally inspected site. Subsequently, USDA issued a publication entitled "Federal Facilities Requirements for Small Existing Meat Plants". This latter publication is more realistic but still does not allow a plant under State-inspection to qualify for interstate shipment and sale of meat or meat products.

Ironically, present law allows a federally inspected plant in the U.S. to buy fresh, chilled, and frozen meats from many countries around the world for subsequent shipment into interstate commerce not only in the form consumers perceive as processed meats (bologna, hot dogs, stew, soup, etc.), but as fresh meat items such as hamburgers, etc. Yet these federally inspected plants are not allowed to buy meats from State inspected plants for any purpose.

On February 10, 1983, the Agriculture Department's Food Safety and Inspection Service finalized its proposal to require countries exporting meat to the United States to have inspection programs "equal-to" that of the U.S. This is consistent with the language in the 1981 Farm Bill which requires imported meat to be subject to the same standards as domestic meat.

It would appear logical that foreign "equal-to" and State "equal-to" meat inspection protocols require the same procedures and allow the meat to be entered into commerce in similar fashion.

The National Cattlemen's Association supports the concept of State "equal-to" inspection as indicated by the following NCA membership policy:

MEAT INSPECTION—DOMESTIC

PART III—INSPECTION LEGEND AND INTERSTATE MOVEMENT

To avoid confusion on the part of the consumer buyers of red meat and to accord "equal-to" state inspected meat and meat products equitable treatment, it is recommended that:

1. A single Federal-State Inspection Stamp or Legend be adopted for use on Federally inspected meat and meat inspected under "equal-to" state programs; and
2. The meat inspected under state programs officially designated as being "equal-to" Federal Standards be accorded the same freedom of movement in interstate commerce as is accorded meat imported into the United States from foreign countries.

We stand ready to cooperate with you and the Committee as your consideration of this matter progresses.

Sincerely,

GENE SCHROEDER,
Chairman, NCA Grading and Inspection Committee.

OHIO DEPARTMENT OF AGRICULTURE,
Columbus, Ohio, July 21, 1983.

Hon. JESSE HELMS,
Committee on Agriculture,
U.S. Senate, Washington, D.C.

DEAR SENATOR HELMS: This letter is offered in support of the interstate shipment provisions for "equal to" state inspected meat and poultry products proposed in S. 593. Please include this letter in the record for the July 21, 1983 hearing on S. 593.

During the fifteen years since passage of the Wholesome Meat Act those states which maintain state inspection programs have steadily improved their programs and have maintained their "equal to" status under stringent and continuous federal review. Plants utilizing state inspection are actually reviewed by federal program personnel more frequently and with more rapid followup reviews than are plants under federal inspection. Even though the state inspected products are equal to federal inspected, because the products cannot enter interstate commerce, the illusion of second class status exists.

We feel the reasons for granting interstate shipment to state inspected meat and poultry plants are self evident. It seems illogical that equal product produced under "equal to" conditions should not enjoy the same freedom of movement in commerce. This encompasses not only shipment and sale across state lines but also free movement into federally inspected processing plants and storage warehouses for further processing and distribution. A similar certification program prevails for foreign imported meat and meat products.

Meat inspection programs are responsible for maintaining the competitiveness that exists in the industry. To require "equal to" inspection and prohibit the interstate movement of product is discriminatory.

Most state inspected establishments are small business of the owner/operator type providing employment for from 5 to 40 personnel. This exists in large numbers in small towns and rural areas throughout the nation and contribute greatly to the local economy, not only as an employer and taxpayer but also as a market for locally produced livestock. In an era which has seen many federally inspected slaughter plants close their doors, livestock producers are fortunate to have the local competitive bidding for their products by the small meat plant operators.

Small meat plants, however, are finding their markets are drying up. Many of the locally owned small restaurant and grocery chains have expanded into neighboring states thus they are restricted from free distribution of meat and poultry from state inspected plants into their natural and traditional markets.

State inspected plants are also restricted from supplying and/or manufacturing meat and other items for further processing to federally inspected processing establishments. Thus, if a state inspected processing plant obtains federal inspection in order to fill the interstate accounts, those state plants which formerly supplied the processor are automatically barred from continuing to supply product to this account.

The U.S.D.A. provides up to 50 percent of the cost of operating state inspection programs. This, however, has not been sufficient to entice many states to maintain their inspection programs. All of the states who have turned their programs over to U.S.D.A. in the past 10 years have done so voluntarily because of budgetary problems, or desire of the industry for interstate shipment. It is anticipated that several more states will be asking the U.S.D.A. to assume their inspection responsibilities.

S. 593 is needed legislation to eliminate discrimination and assist our livestock and meat packing industries.

Sincerely,

DALE E. LOCKER, *Director.*

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES,
Washington, D.C., July 27, 1983.

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition and Forestry, U.S. Senate, Russell Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is to inform you, in the strongest possible terms, of the American Federation of Government Employees' opposition to S. 593 which would allow interstate sales of state inspected meat and poultry products.

A philosopher once said: "Those who cannot remember the past are condemned to repeat it." The meat and poultry packing and processing industry was at one time notoriously unsanitary and riddled with scandal. Congress, through the years, enacted a set of laws, including the Federal Meat Inspection Act and the Poultry Products Inspection Act, which established Federal standards and, most importantly, Federal inspection of that industry.

As a result of these actions, American consumers have unqualified trust in the meat and poultry they consume. We are sure that the Congress will not wish to take a backward step from this Federal responsibility.

Proponents of this bill continually point out that under present law state meat and poultry inspection plans must meet existing Federal requirements of meat and poultry quality. Of course, the states may follow different and separate procedures, use different equipment, and have different plant requirements, etc. I remember that this country has had some experience with "separate, but equal" requirements in an unrelated area. I also remember that this "separate, but equal" standard has been found to be inadequate. We believe it is inadequate in this area as well.

Where state inspection is restricted to intrastate sales, the existing practice is probably sufficient. Meat and poultry plants selling between states operate under another set of rules, but each plant's competitors are operating under the same rules. This is the essence of fair competition.

The proposed legislation would change this. States would inevitably come under political pressure from the industry within each state to loosen the state regulations and procedures to the degree possible so as to provide their state's plants with a competitive advantage over neighboring state's plants. The result of this process is evident and dangerous to the American consumer.

States without state inspection plans would be pressured to establish them. This proliferation of state plans, and the connected increased need for Federal oversight would undoubtedly increase overall cost to the American taxpayer, contrary to the proponents' arguments.

In addition, the bill provides that "such state inspected articles, and federally inspected articles, and federally inspected articles prepared, in whole or in part, from such state inspected articles, shall not be eligible for sale or transportation in foreign commerce and shall be separated at all times from all other federally inspected articles in any federally inspected establishment which engages in the preparation, sale, or transportation of carcasses, or parts thereof, meat, or meat food products for foreign commerce."

(There is a similar provision for poultry products.) Unfortunately, although the bill requires this procedure, our meat and poultry inspectors inform us that enacting this procedure would be difficult and costly. These costs, again, would ultimately need to be borne by consumers.

If there are problems with the existing Federal requirements and procedures, they should be addressed. Congress and the Executive Branch has the power to address them. This bill does not address these problems—it abdicates Federal responsibility for them.

We fear that, ultimately, eliminating the requirement that interstate sales of meat and poultry be Federally inspected would endanger the American consumer. At a time when the consumers' confidence in the food products is at an all time high, we question the merit of changing the existing system. In another well-known philosophical statement—"If it's not broke—don't fix it."

Sincerely,

KENNETH T. BLAYLOCK,
National President.

NATIONAL GRANGE,
Washington, D.C., July 26, 1983.

Hon. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry, Russell Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The following are comments which we wish to submit for the Hearing Record of July 21, 1983 on Senate Bill 593, a bill to amend the Federal Meat Inspection Act and the Poultry Products Act regarding state-inspected products.

Mr. Chairman, the National Grange is in full support of S. 593, sponsored by Senator Inouye and others. Our organization has long supported the idea that state-inspected meat and poultry products ought to be eligible for interstate commerce when the producs are inspected under a program "equal to" that of the federal program. We offer three principal reasons for our support: (1) that state programs are often more amenable to the needs of small businesses; (2) that small businesses can increase marketing options for growers closer to home; and (3) that state programs can effect significant savings to taxpayers without compromising the quality of inspection services.

While federal inspection programs serve a need for inspection of larger, high-volume processing facilities, the regulations promulgated under the Federal Act do not appropriately address the needs of smaller facilities. We concur with the analyses of this position offered by Hon. Bob Odom, Commissioner of Agriculture of the State of Louisiana, at the Hearing of July 21, 1983. In that statement, Odom cites the requirement that locker carcass rails must be 11 feet high to meet federal standards. This requirement is necessary for some operations, but is burdensome and unnecessary for operations not dealing with half carcasses. Other such regulations prevent economical transition from state to federal inspection regimes, and are therefore discriminatory to the smaller concerns.

The Grange believes that if livestock and poultry producers can market to smaller establishments, the family farmer can enjoy marketing opportunities that may expand the demand of their product closer to the point where the product is raised. Expanded marketing opportunities, particularly those closer to home, can help offset the pressure of volatile markets that so heavily impact the smaller producers. It is an objective that this Committee should take special interest in pursuing.

When states are willing to conduct their own meat and inspection programs, they should be rewarded and encouraged rather than held at disadvantage. The current Act encourages states to give up their programs for cost savings, thus shifting the burden to the Federal Treasury. States have shown not only the willingness to bear the costs of meat and poultry inspection, but they have demonstrated their ability to conduct effective and economical programs as well. Clearly, it is in the best interests of all concerned to end the artificial penalties assigned state programs.

For these reasons, Mr. Chairman, the Grange urges this Committee to favorably report S. 593. Small businesses create the majority of jobs in our economy, and here is an excellent opportunity to further this market-expanding effort. Producers of livestock and poultry deserve every opportunity to earn a profit for their products.

We appreciate the opportunity to express our views.

Sincerely,

EDWARD ANDERSEN, *Master.*

PENNSYLVANIA CATTLEMEN'S ASSOCIATION, INC.,
State College, Pa., July 18, 1983.

Hon. JESSE HELMS,
Committee on Agriculture, Nutrition and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR HELMS: Our association fully supports S. 593, which would amend the Federal Meat Inspection Act to allow interstate shipment of state-inspected meat products. We will not give complete details as to why our association is in favor of passage of this bill, except to state that in many areas state inspection is more desirable from the standpoint of efficiency of inspection, distribution, and has a more desirable "local" reputation in many cases than does federal inspection. We believe that this is an extension of the "State's Rignts" movement and probably should be extended to other states with strong livestock industries.

We ask that these comments be included as part of the hearing record.

Sincerely,

PAUL HEFFNER, *President.*

STATEMENT OF PUBLIC VOICE FOR FOOD AND HEALTH POLICY

Mr. Chairman, Public Voice appreciates the opportunity to provide comment on S. 593, a bill that would amend the Federal Meat Inspection Act and the Federal Poultry Products Inspection Act to permit the interstate shipment of meat products which are processed under inspection programs operated by individual states. Under current law, no meat or poultry product may be sold into interstate commerce without the benefit of continuous federal inspection.

Public Voice for Food and Health Policy is a non-profit consumer research, education and advocacy organization active on food, nutrition and agriculture projects at the national level. We strongly oppose S. 593 because:

1. While state inspected meat plants generally must be "equal to" the federal meat and poultry inspection program, there is no practical guarantee that state programs are as rigorous and protective as the USDA program. In fact, USDA surveys have shown that the programs operated by many states are greatly inferior to the federal inspection program.

2. Permitting interstate shipment of state-inspected meat, and risking a potentially serious dilution of the quality of inspection and the safety of meat across the country, is wholly unnecessary because state inspected plants can readily qualify for federal inspection, thereby earning the right to ship products across state lines as have thousands of other U.S. meat plants.

3. The federal meat and poultry inspection program has achieved a remarkable degree of success in raising the level of quality and safety of the American meat supply, and the beneficiaries of this success have been both the American public and the U.S. meat industry. Consumer confidence in meat products is a result of strong and dependable federal meat inspection. To allow the wide marketing of meat products from states with inferior meat inspection programs would be deceptive to consumers and could pose potentially serious health problems if consumers assumed that no additional safety and handling precautions were required. In addition, plants which now adhere to the more rigorous requirements of federal inspection, thereby benefitting the public broadly, would no longer have a strong incentive to remain under federal inspection.

The fact that meat inspection in many states is inferior to that conducted by the federal government has repeatedly been confirmed through a number of means. In June, 1980 the Food Safety and Quality Service of the Department of Agriculture published the results of a compliance program survey of 532 randomly-selected state inspected meat plants that had been conducted earlier in the year. That survey showed that state inspected meat plants were fifty percent more likely to have deficient conditions either certain or likely to cause meat products leaving the plant to be adulterated and detrimental to the health and welfare of the general public.

In 1981 Program Review Branch of the new Food Safety and Inspection Service conducted another review of 516 state plants and discovered that in the aggregate, state inspected plants were no more likely than federal plants to have serious processing defects. However, in a special follow-up review of 32 state plants that had exhibited the most serious problems the year before, 19 percent continued to maintain conditions certain to cause meat products it manufactured to be adulterated.

In addition, the 1981 follow-up survey showed that in seven states (Georgia, Mississippi, Arizona, South Dakota, Vermont, Ohio and Louisiana) the proportion of state-inspected meat plants certain or likely to be producing adulterated meat was larger than the historical average (through 1980) for federal plants falling into those categories. In 12 states (the above seven plus Florida, Wisconsin, Kansas, Oklahoma and Texas) the proportion of plants certain or likely to be producing adulterated products was higher than the federal average for 1979. (The 1979 average was also used in addition to the historical average in the 1980 F.S.Q.S. survey.)

While there may be some uncertainty as to how representative the 1981 samples of state plants are, it is a fact that six of these seven states (and 11 of the 12 states, as measured against the 1979 federal performance) were also found in the 1980 survey to have a greater proportion of plants with serious operational deficiencies than the average for federal plants generally. (Georgia and Oklahoma were the exceptions.) It can be no coincidence that these states were recorded as having a large number of plants certain or likely to be producing unwholesome products in surveys conducted in two successive years. This data clearly indicates that the inspection programs in these states are not as rigorous as federal meat inspection and that consumers would have lesser assurance of safety in consuming these products than those from a federally inspected plant.

In addition to these surveys, there is other evidence that individual state programs are substantially inferior to the federal meat and poultry inspection program. Since the passage of the federal Meat Inspection Act and the Poultry Products Inspection Act, inspection programs in five states have had their inspection programs taken over by the federal government because they were unable to operate in a manner that would assure a wholesome product (Kentucky, Minnesota, Montana, Nebraska, Pennsylvania). In 1980–1981, the state meat inspection program of Wyoming was nearly terminated because of serious and recurring inspection deficiencies in plants here. (To correct the problems in the Wyoming program, the state government was forced to bring in an assistant area supervisor from the federal Meat and Poultry Inspection Program. That employee now is in charge of the entire state program. Wyoming reimburses the U.S. government for the expenses of this employment. Other state governments also have resorted to the expertise of federal inspection officials to correct problems in their programs.)

More recently the state of Vermont has experienced serious problems with its inspection program, and adulterated product has been permitted to enter commerce with knowledge by state inspection officials. While no criminal indictments have been handed down, the state inspection service, in the words of one USDA inspection official, is undoubtedly guilty of "ineptitude and poor judgement."

From this information, it is abundantly clear that meat plants operating under state inspection in many states do not deserve the privilege of being permitted to ship their products into interstate commerce, and that permitting these plants such a privilege would dilute the average quality of meat products moving interstate and increase the potential for consumer illness from the consumption of meat products generally. Clearly, not all state-inspected meat plants operate in an unfit or unsanitary manner, but S. 593 does not distinguish between those which do and those which do not. All state-inspected plants would be permitted to move product interstate. While the argument is made that excluding high-quality state-inspected plants from interstate commerce unfairly penalizes such plants, that penalty is less than that which would be levied on consumers from the purchase and consumption of unwholesome and unadulterated meat products originating in the inferior state plants.

What is more, the alleged penalty on high quality state-inspected meat plants is in reality no penalty whatsoever. Any state plant can apply for federal inspection and receive it if they can meet basic USDA inspection requirements and if they are willing to undergo the more rigorous federal inspections.

Much is made of the formal requirements for plant design and construction imposed by the federal meat inspection service. Repeatedly it has been stated by the proponents of this legislation that such requirements are largely arbitrary, and repeatedly it has been implied that such requirements are applied inflexibly. Neither is in accord with the truth.

Design requirements such as "11-foot rails" on which to hang beef carcasses, "five-foot doors" through which meat carts can be pushed and "four-inch drain pipes" in plants serve an important purpose. Based on federal inspection experience, these specifications have been found to minimize sanitation and adulteration problems which constantly challenge meat plant managers. Yet in spite of the sound justification for such requirements, the federal inspection program readily will make exceptions when a state plant which has applied for federal inspection submits its plant blueprints for USDA review. If the state plant can demonstrate that it has not experienced any problems with rails, doors, drain pipes or other design characteristics, and that product integrity will not be compromised, the Department will approve the plant design with the variations.

While arguments are also raised concerning the length of time involved in label approval and plant design review, as required by the federal Meat and Poultry Inspection Program, the fact is that thousands of meat plants across the country, small and large, have met this same challenge in order to provide the extra assurances that meat products which come out of federal plants are safe and wholesome. This step is just one in a procession which has led to the higher standards maintained by the federal meat inspection program, as well as to greater consumer confidence in the meat supply. Balanced against the increased opportunity for marketing and revenue which awaits the successful applicant for federal inspection, it is in no way a burdensome requirement on any state-inspected plant.

Public Voice is also concerned that if S. 593 were enacted, meat plants which are now federally inspected would have less of an incentive to remain so and that a "competition" of sorts could even develop between the state and federal system to attract plants and keep them operating under their respective programs. This competition could come in the form of a willingness to be more accommodating to plant owners and managers in "borderline" inspection situations, and could be used as a weapon by plants to induce inspectors to be less rigorous in conducting their appointed rounds. If plants believed they could get more favorable treatment from state inspectors, a large-scale defection from the federal program could take place. Even the American Meat Institute which opposes this bill, recommends that the bill be modified to allow for easier transfer from federal to state inspection, thus evidencing the existence of an incentive on the part of federal meat plants to move back to state inspection.

Finally, by providing state-inspected plants with the principal economic advantage of processing under federal inspection, this proposal would eliminate any incentive state plants might now have to convert to federal inspection and meet what would be, for plants in many states, the higher quality and safety standards of federal inspection.

In sum, we believe it is abundantly clear that this proposal would allow the wider marketing of meat products that have been inspected under individual state programs that are inferior to the federal program, thereby raising the potential for consumer illness from meat products generally in this country. The need for extending this privilege to state plants does not exist, as such plants can freely transfer to federal inspection, with formal plant design requirements which are difficult for certain plants to meet being waived if the plants can demonstrate that they have operated with no problems that would adversely affect product safety. State plants would have no incentive to rise to the safety standards of federal inspection, and plants which now operate under federal inspection which is more rigorous than state programs would have a reason to shift to the state programs. Competition for plants could conceivably develop between the federal and state programs which could undermine the effectiveness of all programs.

The ultimate loss from this proposal would eventually be borne by the consumer. Especially in larger population centers distant from meat production and processing centers, consumer confidence in the nation's meat supply has been built up through the higher standards and more rigorous requirements of federal inspection, and because consumers in these areas have been protected from products produced or manufactured in state with substandard inspection programs. To now open commercial channels to products emanating from these states could subject consumers to unanticipated dangers, and to the extent greater consumer illness results in a decline in meat consumption, the meat industry itself would bear a significant loss.

For all of these reasons, Public Voice strongly urges this committee not to take further action on S. 593. We suggest that any high quality state-inspection meat plant can expand its markets, thereby capturing whatever benefits are available from this legislation, by requesting federal inspection. If a plant can not call upon the assistance of meat trade associations for help in working with USDA to make this conversion, local Congressional representatives are always available and willing to do so. At the same time, rejecting this legislation would avoid the serious negative consequences of the proposal, not the least of which are jeopardizing the effectiveness of the federal meat inspection program and diluting the quality and safety of the meat supply with products from states with substandard inspection programs. In sum, there is much to be lost and not one thing to be gained from this legislation.

Thank you for the opportunity to submit comments for this hearing record. Please contact us if you have any questions or if we can clarify any statements made herein.

STATEMENT OF NELSON BUCKLES, SECRETARY-TREASURER, KANSAS MEAT PROCESSORS ASSOCIATION, INDEPENDENCE, KANS.

My name is Nelson Buckles, Secretary-Treasurer of the Kansas Meat Processors Association. A non-profit organization that has been serving the small meat processing industry for more than 43 years. As the owner of a small meat processing plant for more than 30 years, I have been directly involved with this industry since 1947.

Our association membership consists of 155 small meat processing plants in Kansas out of slightly more than 200 in the state.

My testimony today is in support of S. 593. Legislation that will permit plants under state inspection to ship their products into interstate commerce.

The Wholesome Meat Act of 1967 provided that state inspected plants must be "equal to" those under federal inspection. In Kansas, because of our excellent state program, they have been certified quarterly by the U.S.D.A. review groups as being "equal to" in their ability to produce a wholesome product.

Meat processors under state legislation are being penalized because they cannot do business across state lines. Their trade territory is severely limited and in many cases, their ability to expand.

Passage of this bill will be an asset for the small businessman at a time when the agriculture and livestock economy is not as good as it has been. Competition in the market place is essential to the American free enterprise system. The small meat processors should be allowed to compete with the corporate giants, who under federal inspection are not restricted in where they sell their product.

Many small meat processing plants in Kansas supply products to schools, nursing homes, hospitals, restaurants and other establishments in rural areas. The restriction of doing business only within state lines makes it necessary for potential customers just across the state line to be served by others from considerable distances, when in many cases, a meat processor just across the state line could provide the service for less cost if permitted to do so.

In many small communities there are low volume restaurants and retail stores in addition to nursing homes and schools that cannot justify minimum orders often required by large packers. Area slaughter and processing plants located just across state lines cannot provide service for these accounts.

Small meat processing plants should not be discriminated against because they are not corporate giants. Large corporate meat packing plants should not have a monopoly in the market place.

In testimony before the Kansas Legislature in January of this year, it was brought out that while 90–95 percent of all meat slaughtered in Kansas is by large federally inspected corporate plants, the majority of it is shipped beyond state lines.

Small meat processors in Kansas, under state inspection, purchased over 40 million pounds of federally inspected product last year for re-processing under state inspection. All meat processed under state inspection is consumed in Kansas, so in effect 51 percent of all the meat consumed in Kansas is processed under state inspection. Under S. 593 surplus products could be sold to federally inspected plants to the economic advantage of both state and federal plants. Since they are certified as "equal to" these small businessmen should be permitted to sell their products in other states.

Small inspected plants in Missouri for example, a state which does not have a state inspection program, are permitted to do business across state lines because their plants are all under federal inspection, while those in Kansas, because it has its own state inspection program, are limited to doing business within their borders, even though the wholesomeness of their product is certified "as equal to" those produced in Missouri.

EQUITY COOPERATIVE LIVESTOCK SALES ASSOCIATION,
Baraboo, Wis., July 18, 1983.

Hon. JESSE HELMS,
Committee on Agriculture, Nutrition, and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR HELMS: It has come to my attention that Senate Bill 593, Senator Inouye's Bill, which would amend the Federal Meat Inspection Act to allow the interstate shipment of state inspected meat products has been scheduled by the Senate Agriculture Committee for Thursday, July 21 in Room 328–A of the Russell Senate Office Building. Being unable to personally attend this particular hearing because of previous commitments, I am writing this letter to be included in the comments as part of the hearing record.

The Equity Cooperative Livestock Sales Association, a livestock marketing cooperative, represents 57,000 livestock producer/members throughout the entire midwest area of our United States. At their Annual Meeting held in March of 1983 a resolution was passed by the entire delegate body, representing those 57,000 livestock producer/members, and it states as follows:

"We encourage the efforts of the U.S.D.A. National Association, State Department of Agriculture, American Association of Meat Processors and Federal Legislators to amend the Federal Meat Inspection Act, which would allow state inspected meat packers to obtain interstate sales.

"These packing plants are subject to an inspection surveillance that the U.S. Department of Agriculture verifies is "equal to" the degree and quality of inspection offered under the Federal Meat Inspection Program. Amendment of this act would allow these 5000 meat businesses, primarily small family operated firms, to serve greater marketing areas, enhance competition, and aid livestock producers by offering a greater local demand for their livestock."

This matter is vitally important to the livestock producer of the midwest area, and the important role that the small state inspected meat processor plays in our business. We strongly encourage the Senate Agriculture Committee's acceptance of Senate bill 593.

Sincerely,

C. WILLIAM GEARY,
Assistant General Manager.

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., July 25, 1983.

Hon. JESSE A. HELMS,
Agriculture, Nutrition, and Forestry Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR HELMS: The American Farm Bureau Federation supports legislation (S. 593) allowing meat and poultry inspected under state programs which are equal to federal inspection and approved by the U.S. Department of Agriculture to move in interstate commerce.

We are concerned with the trend to turn state responsibilities for meat and poultry inspection over to the federal government. This trend needs to be reversed. Passage of pending legislation to allow meat and poultry processing plants which meet federal inspection standards to sell across state lines will provide an incentive to the states to retain their state meat inspection programs.

The opportunity for smaller plants that operate under compatible state inspection standards to sell products interstate without resorting to federal inspection will also encourage them to invest in and improve their operations. Livestock sellers should benefit since there should be more local competition for their animals and poultry and lower transportation costs to markets.

We believe S. 593 will lead to a reduction in the regulatory burden on the meat industry and should be enacted.

Please include this letter as part of the hearing record established on July 21 on this bill.

Sincerely,

JOHN C. DATT,
Secretary and Director,
Washington Office.

[Telegram]

GOLDKIST INC.,
Atlanta, Ga., July 19, 1983.

Hon. JESSE HELMS,
U.S. Senate, Senate Dirksen Office Building, Capitol Hill, D.C.

Goldkist Poultry Producers in North Carolina join with the national broiler council in opposing S-593, scheduled for hearings on July 21, which would permit interstate shipment and sale of poultry and meat products prepared and labeled under State inspection systems.

Criteria and results of State inspection programs vary widely from Federal standards and could permit wide variance on national product uniformity. This could translate into unfair economic advantage for 8 percent of total poultry establishments now under State inspection.

I hope you will respond to unified broiler industry opposition to this by opposing S-593.

Thank you for your consideration.

PAUL G. BROWER,
Vice President.

Storer Meats, Inc.,
Cleveland, Ohio, July 29, 1983.

Hon. **Jesse Helms,**
Senate Agriculture Committee, Nutrition and Forestry,
U.S. Senate, Washington, D.C.

Dear Honorable Helms: We wish to include our comments as part of the hearing of record to amend the Federal Meat Inspection Act to allow the interstate shipment of State Inspected Meat Products as introduced in Senator Inouye's bill S. 593.

1. Foreign products are sold throughout the United States without Federal Inspection and approval of raw materials at manufacturing sites. (See the attached clipping from the Cleveland Plain Dealer of July 26, 1983).
2. State Inspection is comparable to Federal Inspection—Products accepted in one state should be acceptable in all. We are the United States.
3. Current system is a restriction of trade, and is especially frustrating in areas near state lines. Also we cannot sell to many outlets for consumption in Ohio, as they cross State lines and do not wish the expense of product segregation to avoid violations.

We appreciate your efforts in correcting these long standing abuses against free trade and competition within the borders of our great country.

Sincerely yours,

Ludwig Gutwein, *President.*

Attached: As stated.

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23 NATIONS WARNED ON MEAT INSPECTION

Washington.—The Agriculture Department recently informed 23 countries, including every one in Central America, that unless they improve their meat inspection and processing procedures they will be barred from exporting meat products to the United States as of Jan. 1.

Exports from the countries involved—including Belgium, France, Ireland and Iceland—represent 1.3 percent of the United State's meat supply. None of the major meat-exporting countries is involved.

98TH CONGRESS
1ST SESSION

S. 593

To amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to permit distribution of certain State-inspected meat and poultry products, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24 (legislative day, FEBRUARY 23), 1983

Mr. INOUYE (for himself, Mr. KASTEN, Mr. DOLE, Mr. JEPSEN, Mr. THURMOND, Mrs. KASSEBAUM, and Mr. MATSUNAGA) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to permit distribution of certain State-inspected meat and poultry products, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Meat and Poultry Products Inspection Act of 1982".

FEDERAL MEAT INSPECTION ACT

SEC. 2. (a) Section 301 of the Federal Meat Inspection Act (21 U.S.C. 661) is amended—

(1) by striking out "solely for distribution within such State" in subparagraph (1) of paragraph (a);

(2) by adding at the end of subparagraph (2) of paragraph (a) the following new sentence: "In carrying out the provisions of this Act, the Secretary may conduct such examinations, investigations, and inspections as he determines practicable through any officer or employee of any State or Territory or the District of Columbia commissioned by the Secretary for such purposes.";

(3) by striking out "with respect to the operations and transactions within such State which are regulated under subparagraph (1)," in subparagraph (3) of paragraph (c) and inserting in lieu thereof "with respect to all establishments within its jurisdiction which do not operate under Federal inspection under title I of this Act and at which any cattle, sheep, swine, goats, or equines are slaughtered or their carcasses or parts or products thereof are prepared for use as human food and with respect to the distribution of carcasses, parts thereof, meat, or meat food products of such animals within the State,"; and

(4) by adding at the end thereof the following new paragraph:

"(e) Notwithstanding any other provisions of this Act—

"(1) Carcasses, parts thereof, meat, and meat food products of cattle, sheep, swine, goats, or equines prepared under State inspection in any State not designated under paragraph (c) of this section, and prepared in compliance with the meat inspection law of the State, shall be eligible for sale or transportation in commerce and shall be eligible for entry into and use in the preparation of products in establishments at which Federal inspection is maintained under title I of this Act, in the same manner and to the same extent as products prepared at such establishments. Such State inspected articles, and federally inspected articles prepared, in whole or in part, from such State inspected articles, shall not be eligible for sale or transportation in foreign commerce and shall be separated at all times from all other federally inspected articles in any federally inspected establishment which engages in the preparation, sale, or transportation of carcasses, or parts thereof, meat, or meat food products, for foreign commerce.

"(2) All carcasses, parts thereof, meat, and meat food products that are inspected under a program of inspection pursuant to the law of a State not designated under paragraph (c) of this section shall be identified as so inspected only by official marks which (A) clearly identify the State as the State which performed the inspection, and (B) are of a design prescribed by the State. Federally inspected articles prepared, in whole or in part, from such State inspected articles shall be identified as so inspected only by the same official marks as prescribed by the Secretary for articles slaughtered or prepared under title I of this Act.

"(3) The operator of any establishment which is operated under Federal inspection may transfer to State inspection and the operator of any establishment which is operated under State inspection may transfer to Federal inspection if—

"(A) the operator gives written notice to both the appropriate Federal and State officials of the proposed transfer; and

"(B) the Secretary determines that such transfer will effectuate the purposes set forth in section 2 of this Act and will not adversely affect the stability of the total State and Federal inspection systems.

A transfer of inspection authority under this paragraph may not become effective until October 1 of any year and until at least one hundred and eighty days have elapsed after notice of the proposed transfer has been given to the appropriate Federal and State officials.

The Secretary may, in his discretion, make individual exceptions for any applicant for Federal inspection under title I of this Act who presents clear and convincing evidence that he intends to, and will be able to, engage in foreign commerce to the extent that Federal inspections would be required, to engage in such commerce.".

(b) The second sentence of section 408 of such Act (21 U.S.C. 678) is amended to read as follows: "Marking, labeling, packaging, or ingredient requirements in addition to, or different than those made under this Act may not be imposed by any State or Territory or the District of Columbia with respect to articles prepared at any establishment under Federal inspection under title I of this Act or with respect to articles prepared for commerce at any State inspected establishment in accordance with the requirements under section 301(e) of this Act; but any State or Territory or the District of Columbia may, consistent with the requirements of this Act, exercise concurrent jurisdiction with the Secretary over articles distributed in commerce, or otherwise subject to this Act, for the purpose of preventing the distribution for human food purposes of any such articles which are not in compliance with the requirements of this Act and are outside of any federally or State inspected establishment, or, in the case of imported articles, which are not at such an establishment after their entry into the United States.".

POULTRY PRODUCTS INSPECTION ACT

SEC. 3. (a) Section 5 of the Poultry Products Inspection Act (21 U.S.C. 454) is amended—

(1) by striking out "solely for distribution within such State" in subparagraph (1) of paragraph (a);

(2) by striking out "with respect to the operations and transactions within such State which are regulated under subparagraph (1) of this paragraph (c)," in subparagraph (3) of paragraph (c) and inserting in lieu thereof "with respect to all establishments within its jurisdiction which do not operate under Federal inspection under this Act and at which any poultry are slaughtered or any poultry products are processed for use as human food and with respect to the distribution of poultry products within the State,"; and

(3) by adding at the end thereof the following new paragraph:

"(e) Notwithstanding any other provisions of this Act—

"(1) Poultry products processed under State inspection in any State not designated under paragraph (c) of this section, and processed in compliance with the poultry products inspection law of the State, shall be eligible for sale or transportation in commerce and shall be eligible for entry into and use in the preparation of poultry products in establishments at which Federal inspection is maintained under this Act, in the same manner and to the same extent as poultry products processed at such establishments. Poultry products complying with the requirements under the poultry products inspection laws of States not designated under paragraph (c) in which the products were processed shall be considered as complying with this Act. Such State inspected poultry products, and federally inspected poultry products processed, in whole or in part, from such State inspected poultry products, shall not be eligible for sale or transportation in foreign commerce and shall be separated at all times from all other federally inspected poultry products in any federally inspected establishment which engages in the processing, sale, or transportation of poultry products for foreign commerce.

"(2) All poultry products that are inspected under a program of inspection pursuant to the law of a State not designated under paragraph (c) of this section shall be identified as so inspected only by official marks which (A) clearly identify the State as the State which performed the inspection, and (B) are of a design prescribed by the State. Federally inspected poultry products processed, in whole or in part, from such State inspected poultry products shall be identified as so inspected only by the same official marks as prescribed by the Secretary for poultry products processed under sections 1 through 4, 6 through 10, and 12 through 22 of this Act.

"(3) The operator of any establishment which is operated under Federal inspection may transfer to State inspection and the operator of any establishment which is operated under State inspection may transfer to Federal inspection if—

"(A) the operator gives written notice to both the appropriate Federal and State officials of the proposed transfer; and

"(B) the Secretary determines that such transfer will effectuate the purposes set forth in section 2 of this Act and will not adversely affect the stability of the total State and Federal inspection systems.

A transfer of inspection authority under this paragraph may not become effective until October 1 of any year and until at least one hundred and eighty days have elapsed after notice of the proposed transfer has been given to the appropriate Federal and State officials. The Secretary may, in his discretion, make individual exceptions for any applicant for Federal inspection under title I of this Act who presents clear and convincing evidence that he intends to, and will be able to, engage in foreign commerce to the extent that Federal inspection would be required, to engage in such commerce.".

(b) The second sentence of section 23 of such Act (21 U.S.C. 467e) is amended to read as follows: "Marking, labeling, packaging, or ingredient requirements in addition to, or different than, those made under this Act may not be imposed by any State or Territory or the District of Columbia with respect to articles prepared at any establishment subject to Federal inspection under this Act or with respect to articles prepared for commerce at any State inspected establishment in accordance with the requirements under section 5(e) of this Act. Further storage or handling requirements found by the Secretary to unduly interfere with the free flow of poultry products in commerce shall not be imposed by any State or Territory or the District of Columbia. However, any State or Territory or the District of Columbia may, consistent with the requirements of this Act, exercise concurrent jurisdiction with the Secretary over articles distributed in commerce, or otherwise subject to this Act, for the purpose of preventing the distribution for human food purpose of any such articles which are not in compliance with the requirements under this Act and are outside of any federally or State inspected establishment, or, in the case of imported articles, which are not at such an establishment after their entry into the United States.".

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